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LEGISLATIVE HISTORY

Public Law 85-748
S. 3333

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Index and summary of S. 3333

Feb. 24, 1958 Sen. Ellender introduced S. 3333 which was referred to the Senate Agriculture and Forestry Committee. Print of bill as introduced.

Feb. 25, 1958 Rep. McIntire introduced H. R. 10957 and Rep. Hill introduced and discussed H. R. 10965. Prints of bills as introduced and remarks of Rep. Hill.

July 11, 1958 House subcommittee ordered H. R. 10965 reported to the full committee.

July 17, 1958 House committee ordered H. R. 10965 reported.

July 30, 1958 Senate committee ordered S. 3333 reported without amendment.

Aug. 5, 1958 Senate committee reported S. 3333 without amendment. S. Report No. 2192. Print of bill and report.

House committee reported H. R. 10965 with amendments. H. Report No. 2447. Print of bill and report.

Aug. 11, 1958 Senate passed S. 3333 without amendment.

Aug. 13, 1958 House passed S. 3333 under suspension of the rules.

Aug. 25, 1958 Approved: Public Law 85-748.

DIGEST OF PUBLIC LAW 85-748

INSURANCE OF FARM OWNERSHIP AND SOIL AND WATER CONSERVATION LOANS. Amends Title I of the Bankhead-Jones Farm Tenant Act to include the following provisions: Authorizes the making of direct loans which could be converted to insured loans and sold to private lenders provided the outstanding obligation of the loan at the time of sale does not exceed 90 percent of the value of the farm less any prior lien indebtedness. Authorizes the sale of direct loans to private lenders on an insured basis at the full amount of the unpaid balance plus an annual charge of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan. Authorizes borrowing, through the farm tenant-mortgage insurance fund, of not to exceed \$5 million for the purpose of making loans under Title I of the Bankhead-Jones Farm Tenant Act and the Act of August 28, 1937 (Water Facilities Act), to be insured and sold to private lenders in blocks. Authorizes converting any direct loan or any insured loan to an insured loan within the new provisions above. Authorizes the sale of any Government-held title I direct or insured loan with the consent of the borrower, or without his consent if the borrower fails to comply with his agreement to refinance his indebtedness when he is able to do so. Gives the Secretary of the Treasury discretion to fix the interest rate on borrowing from the Treasury for use of the mortgage insurance fund, but provided that he take into consideration the current average market yields of outstanding marketable obligations of the U. S. having maturities comparable to the loans made or insured by the Secretary of Agriculture.

Amends the Water Facilities Act so as to provide similar authority for loans made under that act as contained in the new provisions above for loans made under Title I of the Bankhead-Jones Farm Tenant Act, except that loans made to individuals and insured under the Water Facilities Act would be limited to 90 percent of the value of the security taken in connection with the loan less any prior lien indebtedness.

Amends the National Bank Act so as to permit a national bank to loan as much as 25 percent (instead of 10 percent) of its capital and surplus to one individual in the case of loans insured by the Secretary of Agriculture under the Bankhead-Jones Farm Tenant Act or the Water Facilities Act.

85TH CONGRESS
2D SESSION

S. 3333

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1958

Mr. ELLENDER (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That, title I of the Bankhead-Jones Farm Tenant Act, as
4 amended (7 U. S. C. 1000 and the following), is further
5 amended as follows:

6 (a) The following new section 18 is added:
7 “SEC. 18. (a) The Secretary of Agriculture is author-
8 ized:

9 “(1) To make loans complying with the requirements

1 of title I of this Act for the purpose of insuring and selling
2 such loans to lenders other than the United States. Any
3 security instrument taken in connection with such loan shall
4 create a lien running to the United States, notwithstanding
5 the fact that the note may be held by such lender or his
6 assignee;

7 “(2) To insure and make commitments to insure such
8 loans, which, when endorsed for insurance, shall be covered
9 by the insurance provisions of this title;

10 “(3) To sell such loans at an annual charge, at a rate
11 to be determined by the Secretary, of not less than 1 per
12 centum of the unpaid principal obligation from time to time
13 outstanding on the loan, such charge to be retained by the
14 Secretary out of interest payments made by the borrower:

15 *Provided*, That the total of the rate of such charge plus
16 the rate of return to the holder of the note shall not exceed
17 the interest rate specified in the note. Out of the charges
18 so collected an amount not in excess of one-half of 1 per
19 centum of such unpaid principal obligations shall be de-
20 posited in and become a part of the fund. The remainder
21 of such charges collected shall be deposited in the Treasury
22 to the credit of the Secretary and may be transferred annu-
23 ally to the administrative expense account of the Farmers
24 Home Administration and become merged therewith. Each
25 such loan shall be sold at the full amount of the unpaid bal-

1 ance thereof at the time of sale, but no loan shall be sold
2 if such balance exceeds 90 per centum of the amount certified
3 by the county committee to be the value of the farm, less
4 any prior lien indebtedness at the time the loan was made
5 or upon a determination of such fact by the Secretary at
6 the time of sale;

7 “(4) To make loans out of moneys in the fund for the
8 purpose of insuring and selling the same under this section:
9 *Provided, however,* That no loan made under this item (4)
10 shall be in excess of 90 per centum of the amount certified
11 by the county committee to be the value of the farm less any
12 prior lien indebtedness: *And provided further,* That no loan
13 shall be made under this item (4) unless the Secretary has
14 reasonable assurance that it can be sold without undue delay.
15 The Secretary may, at his discretion, utilize the provisions
16 of subsections 13 (b) and 13 (c) of this title to borrow from
17 the Secretary of the Treasury an additional sum not in excess
18 of \$5,000,000 for deposit in the fund for this purpose and
19 said subsections are hereby extended to cover such borrow-
20 ings for the purpose of making loans under this item (4) and
21 under item (4) of subsection 11 (a) of the Act of August
22 28, 1937, as amended (relating to the conservation of water
23 resources). The amount of the principal obligations on loans
24 made under this item (4) and not disposed of under this sec-
25 tion, plus the amount of the principal obligations on loans

1 made out of moneys in the fund under said item (4) of sub-
2 section 11 (a) of the Act of August 28, 1937, as amended,
3 and not disposed of under such section 11, shall not exceed
4 the aggregate sum of \$5,000,000 at any one time.

5 “(b) The interest rate shall be as provided in section
6 3 (b) (2) of this title and the borrower shall not be
7 required to pay any additional charges for insurance of the
8 loan, but the Secretary may require the payment of such
9 appraisal and delinquency charges as he deems proper.

10 “(c) The amount of the principal obligations on loans
11 made under item (a) (4) of this section shall be included
12 in computing the aggregate amount of the principal obliga-
13 tions which may be insured in any one fiscal year, as pro-
14 vided in section 12 (b) of this title, at the time such loans
15 are made. The amount of the principal obligations on any
16 other loans made by the Secretary and insured under this
17 section shall not be included in computing said aggregate
18 amount.

19 “(d) Loans made from funds advanced by lenders other
20 than the United States may be insured by the Secretary upon
21 terms and conditions consistent with the provisions of this
22 section. Loans made or insured under this section shall be
23 subject to all the provisions of this title except as otherwise
24 provided in this section.

25 “(e) Any loan heretofore or hereafter made or insured

1 under this title may be converted to an insured loan under
2 this section at the discretion of the Secretary, and any ex-
3 penses in connection with such conversion may be paid out
4 of funds available for administrative expenses.

5 “(f) The Secretary is further authorized to sell any
6 loan heretofore or hereafter made or insured under this title
7 without insurance thereof upon the written consent of the
8 borrower, or without such consent when the borrower has
9 failed to comply with his agreement to refinance the indebted-
10 ness at the request of the Secretary. Such loan shall be
11 sold at the full amount of the unpaid balance thereof, and
12 upon such sale the Secretary is authorized to assign the
13 security instrument and evidence of debt in such manner
14 that the United States shall have no further right or obliga-
15 tion with respect to the loan.”

16 (b) The third sentence of section 13 (b) is amended
17 to read:

18 “Such notes shall have such maturities as the Secretary
19 may determine with the approval of the Secretary of the
20 Treasury, and shall bear interest at a rate fixed by the
21 Secretary of the Treasury, taking into consideration the
22 current average market yields of outstanding marketable
23 obligations of the United States having maturities comparable
24 to the loans made or insured by the Secretary.”

1 (c) Section 15 (a) is amended to add the following
2 sentence:

3 “Section 5200 of the Revised Statutes (12 U. S. C. 84)
4 is hereby amended to add a new paragraph bearing the next
5 number after that of the last paragraph of the present
6 section 5200 of the Revised Statutes and reading as follows:
7 ‘Obligations insured by the Secretary of Agriculture pursuant
8 to the Bankhead-Jones Farm Tenant Act, as amended, or
9 the Act of August 28, 1937, as amended (relating to the
10 conservation of water resources), shall be subject under this
11 section to a limitation of 15 per centum of such capital and
12 surplus in addition to such 10 per centum of such capital
13 and surplus.’”

14 SEC. 2. The Act entitled “An Act to promote conserva-
15 tion in the arid and semiarid areas of the United States by
16 aiding in the development of facilities for water storage and
17 utilization, and for other purposes”, approved August 28,
18 1937, as amended (16 U. S. C. 590r-590x-3), is further
19 amended by inserting at the end of said Act the following
20 new section:

21 “SEC. 11. (a) The Secretary of Agriculture is au-
22 thorized:

23 “(1) To make loans complying with the requirements
24 of this Act for the purpose of insuring and selling such loans
25 to lenders other than the United States. Any security in-

1 instrument taken in connection with such loan shall create a
2 lien running to the United States, notwithstanding the fact
3 that the note may be held by such lender or his assignee;

4 “(2) To insure and make commitments to insure such
5 loans, which, when endorsed for insurance, shall be covered
6 by the insurance provisions of this Act;

7 “(3) To sell such loans at an annual charge, at a rate
8 to be determined by the Secretary, of not less than 1 per
9 centum of the unpaid principal obligation from time to time
10 outstanding on the loan, such charge to be retained by the
11 Secretary out of interest payments made by the borrower:

12 *Provided*, That the total of the rate of such charge plus the
13 rate of return to the holder of the note shall not exceed the
14 interest rate specified in the note. Out of the charges so
15 collected an amount not in excess of one-half of 1 per centum
16 of such unpaid principal obligations shall be deposited in and
17 become a part of the fund. The remainder of such charges
18 collected shall be deposited in the Treasury to the credit
19 of the Secretary and may be transferred annually to the ad-
20 ministrative expense account of the Farmers' Home Admin-
21 istration and become merged therewith. Each such loan
22 shall be sold at the full amount of the unpaid balance thereof
23 at the time of sale, but no loan, except loans to associations
24 (including corporations not operated for profit and public
25 or quasi-public agencies), shall be sold if such balance ex-

1 ceeds 90 per centum of the value of the security less any
2 prior lien indebtedness at the time the loan was made or
3 upon a determination of such fact by the Secretary at the
4 time of sale;

5 “(4) To make loans out of moneys in the fund, includ-
6 ing funds borrowed from the Secretary of the Treasury
7 under item (4) of subsection 18 (a) of the Bankhead-
8 Jones Farm Tenant Act, as amended, within the aggre-
9 gate limits therein provided, for the purpose of insuring
10 and selling such loans under this section: *Provided, however,*
11 That no loan made under this item (4) shall be in excess
12 of 90 per centum of the value of the security less any prior
13 lien indebtedness, but such limitation shall not apply to loans
14 to associations, including corporations not operated for profit
15 and public or quasi-public agencies: *And provided further,*
16 That no loan shall be made under this item (4) unless the
17 Secretary has reasonable assurance that it can be sold with-
18 out undue delay.

19 “(b) The borrower shall not be required to pay any
20 additional charges for insurance of the loan, but the Secre-
21 tary may require the payment of such appraisal and delin-
22 quency charges as he deems proper. The proceeds of such
23 appraisal or delinquency charges shall be deposited in the
24 Treasury for use for administrative expense as provided in
25 item (a) (3) of this section.

1 “(c) The amount of the principal obligations on loans
2 made under item (a) (4) of this section shall be included
3 in computing the aggregate amount of the principal obliga-
4 tions which may be insured in any one fiscal year, as pro-
5 vided in section 10 (e) of this Act, at the time such loans
6 are made. The amount of the principal obligations on any
7 other loans made by the Secretary and insured under this
8 section shall not be included in computing said aggregate
9 amount.

10 “(d) Loans made from funds advanced by lenders
11 other than the United States may be insured by the Secretary
12 upon terms and conditions consistent with the provisions of
13 this section, but no such loan, except loans to associations
14 (including corporations not operated for profit and public
15 or quasi-public agencies), shall be in excess of 90 per centum
16 of the value of the security less any prior lien indebtedness.
17 Loans made or insured under this section shall be subject to
18 all the provisions of this Act except as otherwise provided in
19 this section.

20 “(e) Any loan heretofore or hereafter made or insured
21 under this Act may be converted to an insured loan under
22 this section at the discretion of the Secretary, and any ex-
23 penses in connection with such conversion may be paid out
24 of funds available for administrative expenses.

25 “(f) The Secretary is further authorized to sell any

1 loan heretofore or hereafter made or insured under this Act
2 without insurance thereof upon the written consent of the
3 borrower, or without such consent when the borrower has
4 failed to comply with his agreement to refinance the indebted-
5 ness at the request of the Secretary. Such loan shall be
6 sold at the full amount of the unpaid balance thereof, and
7 upon such sale the Secretary is authorized to assign the
8 security instrument and evidence of debt in such manner that
9 the United States shall have no further right or obligation
10 with respect to the loan."

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

By Mr. ELLENDER

FEBRUARY 24, 1958

Read twice and referred to the Committee on Agriculture and Forestry

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1958

Mr. McINTIRE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 *That title I of the Bankhead-Jones Farm Tenant Act, as*
4 *amended (7 U. S. C. 1000 et seq.), is further amended as*
5 *follows:*

6 (a) The following new section 18 is added:
7 “SEC. 18. (a) The Secretary of Agriculture is au-
8 thorized:
9 “(1) To make loans complying with the requirements

1 of title I of this Act for the purpose of insuring and selling
2 such loans to lenders other than the United States. Any
3 security instrument taken in connection with such loan shall
4 create a lien running to the United States, notwithstanding
5 the fact that the note may be held by such lender or his
6 assignee;

7 “(2) To insure and make commitments to insure such
8 loans, which, when endorsed for insurance, shall be covered
9 by the insurance provisions of this title;

10 “(3) To sell such loans at an annual charge, at a rate
11 to be determined by the Secretary, of not less than 1 per
12 centum of the unpaid principal obligation from time to time
13 outstanding on the loan, such charge to be retained by the
14 Secretary out of interest payments made by the borrower:

15 *Provided*, That the total of the rate of such charge plus the
16 rate of return to the holder of the note shall not exceed the
17 interest rate specified in the note. Out of the charges so
18 collected an amount not in excess of one-half of 1 percent
19 of such unpaid principal obligations shall be deposited in
20 and become a part of the fund. The remainder of such
21 charges collected shall be deposited in the Treasury to the
22 credit of the Secretary and may be transferred annually to
23 the administrative expense account of the Farmers' Home
24 Administration and become merged therewith. Each such
25 loan shall be sold at the full amount of the unpaid balance

1 thereof at the time of sale, but no loan shall be sold if such
2 balance exceeds 90 per centum of the amount certified by
3 the county committee to be the value of the farm less any
4 prior lien indebtedness at the time the loan was made or
5 upon a determination of such fact by the Secretary at the
6 time of sale;

7 “(4) To make loans out of moneys in the fund for the
8 purpose of insuring and selling the same under this section:
9 *Provided, however.* That no loan made under this item (4)
10 shall be in excess of 90 per centum of the amount certified
11 by the county committee to be the value of the farm less any
12 prior lien indebtedness: *And provided further,* That no loan
13 shall be made under this item (4) unless the Secretary has
14 reasonable assurance that it can be sold without undue delay.
15 The Secretary may, at his discretion, utilize the provisions
16 of subsections 13 (b) and 13 (c) of this title to borrow from
17 the Secretary of the Treasury an additional sum not in excess
18 of \$5,000,000 for deposit in the fund for this purpose and
19 said subsections are hereby extended to cover such borrow-
20 ings for the purpose of making loans under this item (4)
21 and under item (4) of subsection 11 (a) of the Act of
22 August 28, 1937, as amended (relating to the conservation
23 of water resources). The amount of the principal obliga-
24 tions on loans made under this item (4) and not disposed
25 of under this section, plus the amount of the principal obliga-

1 tions on loans made out of moneys in the fund under said
2 item (4) of subsection 11 (a) of the Act of August 28,
3 1937, as amended, and not disposed of under such section
4 11, shall not exceed the aggregate sum of \$5,000,000 at
5 any one time.

6 “(b) The interest rate shall be as provided in section
7 3 (b) (2) of this title and the borrower shall not be re-
8 quired to pay any additional charges for insurance of the
9 loan, but the Secretary may require the payment of such ap-
10 praisal and delinquency charges as he deems proper.

11 “(c) The amount of the principal obligations on loans
12 made under item (a) (4) of this section shall be included
13 in computing the aggregate amount of the principal obliga-
14 tions which may be insured in any one fiscal year, as pro-
15 vided in section 12 (b) of this title, at the time such loans
16 are made. The amount of the principal obligations on any
17 other loans made by the Secretary and insured under this
18 section shall not be included in computing said aggregate
19 amount.

20 “(d) Loans made from funds advanced by lenders
21 other than the United States may be insured by the Secre-
22 tary upon terms and conditions consistent with the provisions
23 of this section. Loans made or insured under this section

1 shall be subject to all the provisions of this title except as
2 otherwise provided in this section.

3 “(e) Any loan heretofore or hereafter made or insured
4 under this title may be converted to an insured loan under
5 this section at the discretion of the Secretary, and any ex-
6 penses in connection with such conversion may be paid out
7 of funds available for administrative expenses.

8 “(f) The Secretary is further authorized to sell any
9 loan heretofore or hereafter made or insured under this title
10 without insurance thereof upon the written consent of the
11 borrower. Such loan shall be sold at the full amount of the
12 unpaid balance thereof, and upon such sale the Secretary is
13 authorized to assign the security instrument and evidence of
14 debt in such manner that the United States shall have no
15 further right or obligation with respect to the loan.”

16 (b) The third sentence of section 13 (b) is amended
17 to read:

18 “Such notes shall have such maturities as the Secretary
19 may determine with the approval of the Secretary of the
20 Treasury, and shall bear interest at a rate fixed by the Sec-
21 retary of the Treasury, taking into consideration the current
22 average market yields of outstanding marketable obligations

1 of the United States having maturities comparable to the
2 loans made or insured by the Secretary.”

3 (c) Section 15 (a) is amended to add the following
4 sentence:

5 “Section 5200 of the Revised Statutes (12 U. S. C.
6 84) is hereby amended to add a new paragraph bearing the
7 next number after that of the last paragraph of the present
8 section 5200 of the Revised Statutes and reading as follows:
9 ‘Obligations insured by the Secretary of Agriculture pur-
10 suant to the Bankhead-Jones Farm Tenant Act, as amended,
11 or the Act of August 28, 1957, as amended (relating to
12 the conservation of water resources), shall be subject under
13 this section to a limitation of 15 per centum of such capital
14 and surplus in addition to such 10 per centum of such capital
15 and surplus.’”

16 SEC. 2. The Act entitled “An Act to promote conserva-
17 tion in the arid and semiarid areas of the United States by
18 aiding in the development of facilities for water storage
19 and utilization, and for other purposes”, approved August
20 28, 1937, as amended (16 U. S. C. 590r-590x-3), is
21 further amended by inserting at the end of said Act the
22 following new section:

23 “SEC. 11. (a) The Secretary of Agriculture is au-
24 thorized:

25 “(1) To make loans complying with the requirements

1 of this Act for the purpose of insuring and selling such loans
2 to lenders other than the United States. Any security in-
3 strument taken in connection with such loan shall create a
4 lien running to the United States, notwithstanding the fact
5 that the note may be held by such lender or his assignee;

6 “(2) To insure and make commitments to insure such
7 loans, which, when endorsed for insurance, shall be covered
8 by the insurance provisions of this Act;

9 “(3) To sell such loans at an annual charge, at a rate
10 to be determined by the Secretary, of not less than 1 per
11 centum of the unpaid principal obligation from time to time
12 outstanding on the loan, such charge to be retained by the
13 Secretary out of interest payments made by the borrower:

14 *Provided*, That the total of the rate of such charge plus the
15 rate of return to the holder of the note shall not exceed the
16 interest rate specified in the note. Out of the charges so
17 collected an amount not in excess of one-half of 1 per centum
18 of such unpaid principal obligations shall be deposited in and
19 become a part of the fund. The remainder of such charges
20 collected shall be deposited in the Treasury to the credit of
21 the Secretary and may be transferred annually to the admin-
22 istrative expense account of the Farmers' Home Administra-
23 tion and become merged therewith. Each such loan shall
24 be sold at the full amount of the unpaid balance thereof at
25 the time of sale, but no loan, except loans to associations (in-

1 cluding corporations not operated for profit and public or
2 quasi-public agencies), shall be sold if such balance exceeds
3 90 per centum of the value of the security less any prior
4 lien indebtedness at the time the loan was made or upon a
5 determination of such fact by the Secretary at the time of
6 sale;

7 "(4) To make loans out of moneys in the Fund, in-
8 cluding funds borrowed from the Secretary of the Treasury
9 under item (4) of subsection 18 (a) of the Bankhead-Jones
10 Farm Tenant Act, as amended, within the aggregate limits
11 therein provided, for the purpose of insuring and selling such
12 loans under this section: *Provided, however,* That no loan
13 made under this item (4) shall be in excess of 90 per centum
14 of the value of the security less any prior lien indebtedness,
15 but such limitation shall not apply to loans to associations,
16 including corporations not operated for profit and public or
17 quasi-public agencies: *And provided further,* That no loan
18 shall be made under this item (4) unless the Secretary has
19 reasonable assurance that it can be sold without undue delay.

20 "(b) The borrower shall not be required to pay any
21 additional charges for insurance of the loan, but the Secretary
22 may require the payment of such appraisal and delinquency
23 charges as he deems proper. The proceeds of such appraisal

1 or delinquency charges shall be deposited in the Treasury for
2 use for administrative expense as provided in item (a) (3) of
3 this section.

4 "(c) The amount of the principal obligations on loans
5 made under item (a) (4) of this section shall be included
6 in computing the aggregate amount of the principal obliga-
7 tions which may be insured in any one fiscal year, as pro-
8 vided in section 10 (e) of this Act, at the time such loans are
9 made. The amount of the principal obligations on any other
10 loans made by the Secretary and insured under this section
11 shall not be included in computing said aggregate amount.

12 "(d) Loans made from funds advanced by lenders
13 other than the United States may be insured by the Secre-
14 tary upon terms and conditions consistent with the provisions
15 of this section, but no such loan, except loans to associations
16 (including corporations not operated for profit and public
17 or quasi-public agencies), shall be in excess of 90 per centum
18 of the value of the security less any prior lien indebtedness.
19 Loans made or insured under this section shall be subject to
20 all the provisions of this Act except as otherwise provided
21 in this section.

22 "(e) Any loan heretofore or hereafter made or insured
23 under this Act may be converted to an insured loan under

1 this section at the discretion of the Secretary, and any
2 expenses in connection with such conversion may be paid
3 out of funds available for administrative expenses.

4 "(f) The Secretary is further authorized to sell any
5 loan heretofore or hereafter made or insured under this Act
6 without insurance thereof upon the written consent of the
7 borrower. Such loan shall be sold at the full amount of the
8 unpaid balance thereof, and upon such sale the Secretary
9 is authorized to assign the security instrument and evidence
10 of debt in such manner that the United States shall have no
11 further right or obligation with respect to the loan."

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

By Mr. McINNIS

FEBRUARY 25, 1958

Referred to the Committee on Agriculture

85TH CONGRESS
2D SESSION

H. R. 10965

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1958

Mr. HILL introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*
3 That, title I of the Bankhead-Jones Farm Tenant Act, as
4 amended (7 U. S. C. 1000 et seq.), is further amended
5 as follows:

6 (a) The following new section 18 is added:
7 “SEC. 18. (a) The Secretary of Agriculture is au-
8 thorized:
9 “(1) To make loans complying with the requirements

1 of title I of this Act for the purpose of insuring and selling
2 such loans to lenders other than the United States. Any
3 security instrument taken in connection with such loan shall
4 create a lien running to the United States, notwithstanding-
5 ing the fact that the note may be held by such lender or his
6 assignee;

7 “(2) To insure and make commitments to insure such
8 loans, which, when endorsed for insurance, shall be covered
9 by the insurance provisions of this title;

10 “(3) To sell such loans at an annual charge, at a rate
11 to be determined by the Secretary, of not less than 1 per
12 centum of the unpaid principal obligation from time to time
13 outstanding on the loan, such charge to be retained by the
14 Secretary out of interest payments made by the borrower:

15 *Provided*, That the total of the rate of such charge plus
16 the rate of return to the holder of the note shall not exceed
17 the interest rate specified in the note. Out of the charges
18 so collected an amount not in excess of one-half of 1 per
19 centum of such unpaid principal obligations shall be deposited
20 in and become a part of the fund. The remainder of such
21 charges collected shall be deposited in the Treasury to the
22 credit of the Secretary and may be transferred annually to
23 the administrative expense account of the Farmers' Home
24 Administration and become merged therewith. Each such
25 loan shall be sold at the full amount of the unpaid balance

1 thereof at the time of sale, but no loan shall be sold if such
2 balance exceeds 90 per centum of the amount certified by
3 the county committee to be the value of the farm less any
4 prior lien indebtedness at the time the loan was made or
5 upon a determination of such fact by the Secretary at the
6 time of sale;

7 “(4) To make loans out of moneys in the fund for the
8 purpose of insuring and selling the same under this section:
9 *Provided, however,* that no loan made under this item (4)
10 shall be in excess of 90 per centum of the amount certified
11 by the county committee to be the value of the farm less
12 any prior lien indebtedness: *And provided further,* That no
13 loan shall be made under this item (4) unless the Secretary
14 has reasonable assurance that it can be sold without undue
15 delay. The Secretary may, at his discretion, utilize the
16 provisions of subsections 13 (b) and 13 (c) of this title
17 to borrow from the Secretary of the Treasury an additional
18 sum not in excess of \$5,000,000 for deposit in the fund for
19 this purpose and said subsections are hereby extended to
20 cover such borrowings for the purpose of making loans
21 under this item (4) and under item (4) of subsection 11
22 (a) of the Act of August 28, 1937, as amended (relating
23 to the conservation of water resources). The amount of
24 the principal obligations on loans made under this item
25 (4) and not disposed of under this section, plus the amount

1 of the principal obligations on loans made out of moneys in
2 the fund under said item (4) of subsection 11 (a) of the
3 Act of August 28, 1937, as amended, and not disposed of
4 under such section 11, shall not exceed the aggregate sum
5 of \$5,000,000 at any one time.

6 “(b) The interest rate shall be as provided in section
7 3 (b) (2) of this title and the borrower shall not be re-
8 quired to pay any additional charges for insurance of the
9 loan, but the Secretary may require the payment of such
10 appraisal and delinquency charges as he deems proper.

11 “(c) The amount of the principal obligations on loans
12 made under item (a) (4) of this section shall be included
13 in computing the aggregate amount of the principal obliga-
14 tions which may be insured in any one fiscal year, as pro-
15 vided in section 12 (b) of this title, at the time such loans
16 are made. The amount of the principal obligations on any
17 other loans made by the Secretary and insured under this
18 section shall not be included in computing said aggregate
19 amount.

20 “(d) Loans made from funds advanced by lenders other
21 than the United States may be insured by the Secretary upon
22 terms and conditions consistent with the provisions of this
23 section. Loans made or insured under this section shall be

1 subject to all the provisions of this title except as otherwise
2 provided in this section.

3 “(e) Any loan heretofore or hereafter made or insured
4 under this title may be converted to an insured loan under
5 this section at the discretion of the Secretary, and any ex-
6 penses in connection with such conversion may be paid out
7 of funds available for administrative expenses.

8 “(f) The Secretary is further authorized to sell any
9 loan heretofore or hereafter made or insured under this title
10 without insurance thereof upon the written consent of the
11 borrower. Such loan shall be sold at the full amount of the
12 unpaid balance thereof, and upon such sale the Secretary is
13 authorized to assign the security instrument and evidence of
14 debt in such manner that the United States shall have no
15 further right or obligation with respect to the loan.”

16 (b) The third sentence of section 13 (b) is amended
17 to read:

18 “Such notes shall have such maturities as the Secretary
19 may determine with the approval of the Secretary of the
20 Treasury, and shall bear interest at a rate fixed by the Sec-
21 retary of the Treasury, taking into consideration the current
22 average market yields of outstanding marketable obligations

1 of the United States having maturities comparable to the
2 loans made or insured by the Secretary."

3 (c) Section 15 (a) is amended to add the following
4 sentence:

5 "Section 5200 of the Revised Statutes (12 U. S. C. 84)
6 is hereby amended to add a new paragraph bearing the next
7 number after that of the last paragraph of the present sec-
8 tion 5200 of the Revised Statutes and reading as follows:
9 'Obligations insured by the Secretary of Agriculture pursu-
10 ant to the Bankhead-Jones Farm Tenant Act, as amended,
11 or the Act of August 28, 1937, as amended (relating to
12 the conservation of water resources), shall be subject under
13 this section to a limitation of 15 per centum of such capital
14 and surplus in addition to such 10 per centum of such capital
15 and surplus.'"

16 SEC. 2. The Act entitled "An Act to promote conserva-
17 tion in the arid and semiarid areas of the United States by
18 aiding in the development of facilities for water storage
19 and utilization, and for other purposes", approved August
20 28, 1937, as amended (16 U. S. C. 590r-590x-3), is
21 further amended by inserting at the end of said Act the
22 following new section:

23 "SEC. 11. (a) The Secretary of Agriculture is au-
24 thorized:

25 "(1) To make loans complying with the requirements

1 of this Act for the purpose of insuring and selling such loans
2 to lenders other than the United States. Any security in-
3 strument taken in connection with such loan shall create a
4 lien running to the United States, notwithstanding the fact
5 that the note may be held by such lender or his assignee;

6 "(2) To insure and make commitments to insure such
7 loans, which, when endorsed for insurance, shall be covered
8 by the insurance provisions of this Act;

9 "(3) To sell such loans at an annual charge, at a rate
10 to be determined by the Secretary, of not less than 1 per
11 centum of the unpaid principal obligation from time to time
12 outstanding on the loan, such charge to be retained by the
13 Secretary out of interest payments made by the borrower:

14 *Provided*, That the total of the rate of such charge plus the
15 rate of return to the holder of the note shall not exceed the
16 interest rate specified in the note. Out of the charges so
17 collected an amount not in excess of one-half of 1 per centum
18 of such unpaid principal obligations shall be deposited in
19 and become a part of the fund. The remainder of such
20 charges collected shall be deposited in the Treasury to the
21 credit of the Secretary and may be transferred annually to
22 the administrative expense account of the Farmers Home
23 Administration and become merged therewith. Each such
24 loan shall be sold at the full amount of the unpaid balance
25 thereof at the time of sale, but no loan, except loans to

1 associations (including corporations not operated for profit
2 and public or quasi-public agencies), shall be sold if such
3 balance exceeds 90 per centum of the value of the security
4 less any prior lien indebtedness at the time the loan was
5 made or upon a determination of such fact by the Secretary
6 at the time of sale;

7 “(4) To make loans out of moneys in the Fund, includ-
8 ing funds borrowed from the Secretary of the Treasury under
9 item (4) of subsection 18 (a) of the Bankhead-Jones Farm
10 Tenant Act, as amended, within the aggregate limits there-
11 in provided, for the purpose of insuring and selling such
12 loans under this section: *Provided, however,* That no loan
13 made under this item (4) shall be in excess of 90 per centum
14 of the value of the security less any prior lien indebtedness,
15 but such limitation shall not apply to loans to associations, in-
16 cluding corporations not operated for profit and public or
17 quasi-public agencies: *And provided further,* That no loan
18 shall be made under this item (4) unless the Secretary has
19 reasonable assurance that it can be sold without undue delay.

20 “(b) The borrower shall not be required to pay any
21 additional charges for insurance of the loan, but the Secretary
22 may require the payment of such appraisal and delinquency
23 charges as he deems proper. The proceeds of such appraisal
24 or delinquency charges shall be deposited in the Treasury for

1 use for administrative expense as provided in item (a) (3)
2 of this section.

3 "(c) The amount of the principal obligations on loans
4 made under item (a) (4) of this section shall be included
5 in computing the aggregate amount of the principal obliga-
6 tions which may be insured in any one fiscal year, as pro-
7 vided in section 10 (e) of this Act, at the time such loans
8 are made. The amount of the principal obligations on any
9 other loans made by the Secretary and insured under this
10 section shall not be included in computing said aggregate
11 amount.

12 "(d) Loans made from funds advanced by lenders other
13 than the United States may be insured by the Secretary upon
14 terms and conditions consistent with the provisions of this
15 section, but no such loan, except loans to associations (in-
16 cluding corporations not operated for profit and public or
17 quasi-public agencies), shall be in excess of 90 per centum
18 of the value of the security less any prior lien indebtedness.
19 Loans made or insured under this section shall be subject
20 to all the provisions of this Act except as otherwise provided
21 in this section.

22 "(e) Any loan heretofore or hereafter made or insured
23 under this Act may be converted to an insured loan under
24 this section at the discretion of the Secretary, and any ex-

1 penses in connection with such conversion may be paid out
2 of funds available for administrative expenses.

3 “(f) The Secretary is further authorized to sell any
4 loan heretofore or hereafter made or insured under this Act
5 without insurance thereof upon the written consent of the
6 borrower. Such loan shall be sold at the full amount of the
7 unpaid balance thereof, and upon such sale the Secretary is
8 authorized to assign the security instrument and evidence of
9 debt in such manner that the United States shall have no
10 further right or obligation with respect to the loan.”

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

By Mr. HILL

FEBRUARY 25, 1958

Referred to the Committee on Agriculture

Missouri. These workers would be stranded 135 miles from the nearest town.

Such a delay would be wasteful to the taxpayers, since the Government payroll would continue. Further waste would be incurred by the delay in completing the dam which would delay repayment to the Treasury. The net revenues from Glen Canyon, which would be the largest source of repayment, would be of a magnitude of \$20 million a year.

Mr. TABER. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. HILL].

(Mr. HILL asked and was given permission to revise and extend his remarks.)

Mr. HILL. Mr. Chairman, I was quite interested in the remarks that have been made concerning the payment of our soil conservation fund. There is a very interesting slant to some of the remarks that have been made. I have not been able to clarify my own thinking, but if an honest-to-goodness farmer owned and operated five different farms under five different farmers who leased land from him, why should the Secretary consider that as one payment to one farmer?

It is not because the farmer who owned the land did business with 10 different farmers—and certainly by no stretch of the imagination can you figure that the same man was receiving 10 different payments, because those 10 farmers are farming the farms in a different way; they might be in a different county; they might be in different counties; they might be on entirely different crops.

Mr. WHITTEN. Mr. Chairman, will the gentleman yield?

Mr. HILL. I yield.

Mr. WHITTEN. This language reads very plainly. It just says that the Department cannot use any money to pay to any one producer total compensation in excess of \$3,000. So, however sympathetic we might feel to a given case, the law says you cannot pay one producer over \$3,000.

Mr. HILL. I have stated the understanding I had when the bill was adopted on the floor of this House. I remember arguing that very question.

Mr. WHITTEN. It does not say a thing about that.

Mr. HILL. I do not agree. It was the distinct understanding of the gentleman speaking. There is a difference in the type of operations and character of crops grown. A man might grow cotton in the gentleman's State and at the same time grow wheat on the flat lands of Colorado. There is no relationship between the two operations.

Mr. WHITTEN. The gentleman is making a good argument.

Mr. HILL. It is not a good argument; that is the plain truth.

Mr. WHITTEN. But the language, I think, is controlling. It says, however we may feel, that one producer cannot be paid over \$3,000.

Mr. HILL. On the committee bill in our committee that is exactly the way we interpreted it.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield?

Mr. HILL. I yield.

Mr. H. CARL ANDERSEN. The opinion expressed by our good chairman, the gentleman from Mississippi [Mr. WHITTEN], is not in accordance with the majority opinion of the conferees. The majority opinion of the conferees last summer, acting on the full appropriation bill for agriculture, is exactly what the gentleman from Colorado has just told the House, because if we did not we would rule out 9 of the 10 tenants on those 10 farms referred to as an example, owned by 1 owner, and that would do an injustice to 9 tenants. It would say to them: "You cannot come in under any way whatsoever," because one owner is not going to be foolish enough to put his land under soil bank unless he can get adequate compensation. Therefore as a result he will not permit his tenants to come under any program. That is the basic reasoning as laid down by the conferees relative to this question; and, in my opinion, Mr. Benson is absolutely correct and justified in what he did.

Mr. HILL. I thank the gentleman.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. HILL. I yield.

Mr. REUSS. I appreciate the contribution the gentleman from Colorado has made. May I ask him to insert in the debate this afternoon any legislative history which appears in the CONGRESSIONAL RECORD or any other official document which the gentleman from Colorado [Mr. HILL] has which supports that? Also, I ask the gentleman from Minnesota to insert anything from the CONGRESSIONAL RECORD or any official document or conference report which bears out this supposed intent of the conferees or of any other Member of Congress. Because as I read the legislative history it is crystal clear that Congress meant to limit the payments under the soil-bank acreage reserve to \$3,000 to one producer whether he had one farm or a hundred farms.

Mr. HILL. That is correct. When you say "producer," do you mean the man who owns and operates the various farms? The gentleman is just as right as he can be, but not right far enough. But if one man owned all 10 farms and they were operated by 10 lessees he certainly would be entitled to the payment.

Mr. REUSS. That is precisely what Mr. Benson is doing out there.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. H. CARL ANDERSEN. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. HILL. Regardless of what you and I say I shall be glad to give you some information from the report of our committee. I know that was my own understanding. Since I have only a minute and I want to talk of something else I will continue this discussion when we have more time.

I would like to say just a word to the House about the fact that I am today introducing a bill which will facilitate the insurance of loans under title I of the Bankhead-Jones Act; I am putting it in the hopper at this moment. It is a bill that will give the Farmers' Home

Administration an opportunity in the sale of direct farm ownership and soil and water conservation loans to private investors. I will put my statement in the RECORD at this point, and I hope you will read it and that we do not get into any argument when you come to passing that legislation concerning whether it is for one farm or two, because it is for only one.

The proposed Farmers' Home Administration legislation will give more flexibility in the insured loan program. More specifically:

First. The sale of direct farm ownership and soil and water conservation loans to private investors would be authorized when the borrower has acquired at least a 10 percent equity in his farm. These direct loans would be converted to an insured basis at the time of sale.

Second. The amount to be retained by the Government out of interest payments by the borrower on a direct loan converted to an insured basis would be at least one percent. The Government would be authorized to retain more than one percent when the difference between the interest paid to the holder of the insured loan and the amount paid by the borrower as "interest" exceeds one percent.

Third. Farm ownership and soil and water conservation loans could be made from the mortgage insurance fund and sold in blocks, as insured loans, to private investors. Not more than \$5 million could be borrowed from the Treasury for this purpose. These funds would be available on a revolving basis.

Fourth. The amendments would authorize the sale of a farm ownership or soil and water conservation loan, if an investor desires to purchase the loan. Such sales would be on a noninsured basis and would save the borrower most of the expense involved in refinancing.

Fifth. The National Banking Act would be amended to permit a bank to exceed the present limit on the amount it could loan to any individual. At present, this limit is 10 percent of the bank's capital and surplus. The proposed amendment would permit a bank to lend up to 25 percent of its capital and surplus to one individual if the excess over the 10 percent involves an insured farm ownership or soil and water conservation loan.

Mr. TABER. Mr. Chairman, I yield 2 minutes to the gentlewoman from Ohio [Mrs. BOLTON].

Mrs. BOLTON. Mr. Chairman, I shall not discuss any of the financial matters involved in this bill at the present time. But I would like to say that I was in the Gaza strip last fall and observed the results of the presence of United Nations troops there. Instead of tensions, instead of depredations every night, instead of agonies, deaths, and other constant fear, there was peace and relaxation in that little narrow strip. Why? Because the United Nations troops were there, each nation in its own little area. We have no troops there ourselves. This meant that people could go out at night, they could go out after dark, and they knew that nothing was going to happen to them.

I just want to bring this picture to you for your thinking because there is such need to break tensions, to make people feel that, after all, there can be such a thing as peace in the world.

Mr. TABER. Mr. Chairman, I yield the balance of the time on this side to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

(Mr. H. CARL ANDERSEN asked and was given permission to revise and extend his remarks.)

Mr. H. CARL ANDERSEN. Mr. Chairman, I do not believe that the discussion today has touched at all upon the basic purpose back of the acreage-reserve program.

The basic purpose is to take good average cropland out of production, thereby reducing production of commodities in surplus and improving markets for such commodities. The figures show—and these are direct from the Department of Agriculture as of February 20, just 4 days ago—that if this House today will go on record for this \$250 million additional for the acreage reserve, it will mean as far as cotton is concerned that we will take 5,106,000 acres out of production. Just think for a minute how many bales of cotton this means which will not be produced for storage in a Government warehouse. I am talking about the entire \$750 million program. Why should we go ahead and produce enormous quantities of a commodity which is creating market difficulties because of surplus stocks? It is estimated with the \$174,600,000 allocated to cotton out of the \$750 million, we will take 5,106,000 acres out of production.

Let us look at rice for a minute. On rice we will take 150,000 acres of land out of production and thus help to bring to the farmers of America a better price for what they do produce.

Let us look at wheat. Five million four hundred and forty-six thousand acres of wheat will not be produced to be put into these tin cans in the Midwest, which will do nobody any good except roll up huge storage charges for the taxpayers to pay and give critics of farm programs something to talk about. If the House will agree to this action today, there will be a total of 7,258,000 acres of corn, good average producing corn land, in the United States of America which will not produce corn this year. Give that an average of 40 bushels to the acre, we are taking nearly 300 million bushels of corn out of production. I think that it is good, basic commonsense to do that, and I think we should keep in mind the basic purposes of the acreage reserve.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. H. CARL ANDERSEN. I yield to the gentleman from New York.

Mr. TABER. I am wondering why, if a man takes his land out of production, he needs a tenant.

Mr. H. CARL ANDERSEN. We are talking about the acreage reserve and it affects only a small portion of each farm.

Remember the basic purpose of this act. I see before me at least 20 or 30 Members who for 19 years here have been fighting for a fair price for the

farmers of America for what they produce. Now we are trying desperately to help to give to those farmers what we call parity in the market place. What has been the trouble? We have been producing a little bit too much and now we do have the opportunity to take good producing land out of production, and I say it is simply good commonsense to do so.

But, what is another basic feature relative to what we are doing here today? The chairman of my subcommittee, the gentleman from Mississippi [Mr. WHITTEN], rightly touched upon it. We are fulfilling a moral commitment to the farmers of the United States when we write into the law this language: "The limits within which each farmer may participate in the acreage reserve program shall be established in such manner as the Secretary determines is reasonably calculated to give producers a fair and equitable opportunity to participate in the acreage reserve program." Are you going to tell those 300 farmers down in that 1 county in Oklahoma, which the gentleman from Oklahoma, [Mr. EDMONDSON], mentioned, that just simply because there was not enough money voted, the Congress of the United States is not going to live up to its moral commitment? I am not, nor is the gentleman from Oklahoma [Mr. EDMONDSON] who joined us last year in our fight to prevent the mistake we hope here today to correct. And he is entitled to the consideration he seeks for those 300 farmers he so ably represents. Last year we had a different fight on the floor of the House here. The fight was whether or not we should have the acreage reserve program. It failed by five votes on a record rollcall here in the House of Representatives. The Senate put it in by a large majority. The conferees put in the \$500 million.

As far as I am concerned, Mr. Chairman, it is my intention to vote to give to the farmers of America that moral commitment which the United States Congress and the Government has held out to them. I sincerely hope that there will be full acceptance of the amendment which will shortly be offered in behalf of our subcommittee by the chairman of our subcommittee the gentleman from Mississippi [Mr. WHITTEN] which will reinstate the entire \$250 million of the authorized \$750 million.

Mr. CANNON. Mr. Chairman, in yesterday's Washington Post there appeared opposite the editorial page an article directly referring to this bill. The article states that it is a favorite practice of the Congress to cut appropriations in the regular money bills when the economy spotlight is on and then vote it back later on in supplemental appropriation bills. It asserts that we are doing just that in the supplemental bill before us today; that in this bill we are merely putting back in the budget the money we cut out last year. And it goes on to state that last year Congress cut \$4.5 billion from President Eisenhower's new money requests for the year which ended June 30, 1958.

As a matter of fact—and no one disputes this because it is the fact—we cut

from the President's budget last year \$5.7 billion instead of the \$4.5 billion mentioned. The \$5.7 billion is shown in an official administration release of last October. And in this bill we are not putting that money back. We put back, from the cuts made in the independent offices bill last year, a portion of the veterans' compensation and pensions item, due to the fact that no one could say at the time exactly how much money would be needed, how many demands there would be, because that was simply a mathematical computation to carry out the law. So in this bill we do put back some, but not all, of the money we cut out last year, \$129 million, for compensation and pensions, under the Veterans' Administration.

We put back in this bill \$30 million cut out last year for Veterans' Administration readjustment benefits, but again only a portion, under circumstances similar to the compensation item. And we put back all of the money cut out last year for servicemen's indemnities, but that is less than \$2 million. At the time we passed the bill last year we could not precisely estimate how much that would be, and neither could the President. We made an estimate and the estimate was a little bit too slow. There is one other item—public assistance grants, \$79 million—where we missed a bit and that is restored in this bill.

But let me call attention to the important fact: We are putting back a total of only \$239,972,500, which is less than 5 percent of the \$5.7 billion overall cut from the budget last year. In other words, more than 95 percent of the money we cut out last year is not being put back.

Mr. Chairman, as a matter of fact, this supplemental bill is extraordinarily large because of the way the budget has juggled the figures to produce a favorable looking but misleading comparison between the 1959 budget and the 1958 budget. The bare totals shown in the 1959 budget reflect an apparent decrease in total obligating authority of about \$2.6 billion compared to fiscal year 1958. If the budget had been put together properly, they would show a further increase, not a decrease, just as the spending side of the budget shows a further increase.

Last year, obligational authority enacted for fiscal 1958 aggregated approximately \$5.7 billion less than the President's original budget requests. At the close of the last session, the President estimated he would submit to the current session supplemental and deficiency requests approximating \$0.7 billion. Now, he indicates \$6.6 billion.

Approximately 83 percent, or \$5.5 billion, of the \$6.6 billion figure represents items lifted from the 1959 budget, or otherwise proposed to be submitted during fiscal 1958 notwithstanding a showing in the 1959 budget that there is no demonstrated need for anywhere near this amount during fiscal 1958. They are not true supplements to the 1958 appropriations. Again in round figures, therefore, only about 17 percent, or \$1 billion, represents what might be termed

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HIGHLIGHTS: Senate passed omnibus housing bill. House subcommittee reported bill to facilitate insured loans. Senate passed minerals stabilization payments bill. Senate passed bill to prohibit trading in onion futures.

SENATE

1. **ONION FUTURES.** Passed as reported H. R. 376, to prohibit trading in onion futures, remove onions from regulation under the Commodity Exchange Act, provide criminal penalties for violations of the provisions of the bill, and make the bill effective 30 days after enactment. pp. 11290-300
Sen. Barrett submitted, and later withdrew, a proposed amendment to prohibit futures trading in wool and wool tops. pp. 12295-96
2. **MINERALS.** Passed, 70 to 12, with amendments S. 4036, to provide stabilization payments to certain minerals producers. pp. 12239, 12256-78, 12281-90
3. **PERSONNEL.** Passed with amendment S. 3195, to authorize certain retired personnel of the U. S. Government to accept and wear decorations, presents, and other things tendered them by certain foreign countries, including certain retired employees of this Department. pp. 12239-55
S. 1411, to give agencies discretion in suspending Federal employees prior to security hearings, was referred to the Post Office and Civil Service Committee for study of the House amendments to the bill. pp. 12255-56

Agreed to H. Con. Res. 175, proposing a Code of Ethics for Government service. pp. 12331-32

4. CIVIL DEFENSE. The Armed Services Committee reported with amendments H. R. 7576, to amend the Federal Civil Defense Act of 1950 so as to permit the expansion of the civil-defense activity of the Federal Government to assume more responsibility for the national program (S. Rept. 1831). p. 12230
5. FORESTRY. Sen. Neuberger inserted a newspaper editorial supporting enactment of legislation for the establishment of wilderness areas on public lands. pp. 12238-39
6. SMALL BUSINESS. Agreed to the conference report on H. R. 7963, to make the Small Business Administration a permanent agency, increase the revolving fund and loan limitations, and allow SBA to do research for small firms. This bill will now be sent to the President. p. 12256
7. HOUSING. Passed with amendments S. 4035, proposed Housing Act of 1958, which includes a provision extending the authority for farm housing research under HHFA for 3 years and authorizing appropriation of \$100,000 per year for this purpose (p. 12307). pp. 12300-31
8. BUDGETING. Sen. Proxmire inserted Sen. Kennedy's testimony before the Appropriations Committee in favor of substituting S. 434, an accrued expenditures budgeting bill, for the House-passed bill, H. R. 8002, on the same subject. pp. 12280-1
9. SUGAR; WOOL. Sen. Watkins inserted a statement he had prepared defending price support payments to beet sugar and wool producers, including tables showing the number and amount of payments to producers by States. pp. 12286-289
10. NOMINATION. Confirmed the nomination of Leo A. Hoegh as Director of the Office of Defense and Civilian Mobilization. p. 12336
11. LEGISLATIVE PROGRAM. Sen. Johnson announced that the farm bill (S. 4071) would be taken up following consideration of the pending business. p. 12332
12. ADJOURNED until Mon., July 14. p. 12336

HOUSE

13. FARM LOANS. The Conservation and Credit Subcommittee ordered reported to the Agriculture Committee H. R. 10965, to improve the FHA insured loan program under title I of the Bankhead-Jones Farm Tenant Act. p. D667
14. RECLAMATION. The Irrigation and Reclamation Subcommittee ordered reported to the Interior and Insular Affairs Committee S. 4002 and H. R. 13018, to authorize the Gray Dam and Reservoir as a part of the Glendo Unit of the Missouri River Basin project. p. D667

ITEMS IN APPENDIX

15. HUMANE SLAUGHTER. Sen. Monroney inserted an editorial, "A Merciless Stall," criticizing the Senate Agriculture and Forestry Committee for not taking immediate action to report the humane slaughter bill. p. A6240

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HIGHLIGHTS: House committee ordered reported bill to facilitate insured loans by USDA. Rep. Hill urged prompt enactment of farm legislation. Rep. Cooley criticized USDA position on barter program. Rep. Martin introduced and discussed Administration bill for study of Federal pay systems. House received conference report on Labor-HEW appropriation bill. Senate debated trade agreements extension bill. Senate committee ordered reported accrued expenditures budgeting bill.

SENATE

1. **TRADE AGREEMENTS.** Continued debate on H. R. 12591, the trade agreements extension bill (pp. 12822-39, 12842-54, 12855-69, 12871-12914). Adopted an amendment by Sen. Capehart to request the Tariff Commission to study the advisability of basing tariff rates upon the wage rates paid in the respective countries (p. 12903).
Rejected, 4 to 85, an amendment by Sen. Clark to make the Trade Agreements Act permanent (pp. 12864-9).
2. **BUDGETING.** The Appropriations Committee ordered reported with amendments H. R. 8092, the accrued-expenditures budgeting bill. p. D691
3. **LOW-INCOME FARMERS.** Sen. Hoblitzell inserted a chapter, from a book on Resource Training, which discussed how low incomes in agriculture can be improved through area development or rural development projects. pp. 12821-2
4. **CORN.** Sens. Murray and Flanders were added as cosponsors to S. J. Res. 105, to designate the golden corn tassel as the national floral emblem. p. 12917

HOUSE

5. FARM LOANS; FORESTRY. The Agriculture Committee ordered reported H. R. 10965, to improve the insured-loans program under Title I of the Bankhead-Jones Farm Tenant Act; H. R. 12494, with amendment, to authorize the Secretary in selling certain lands to N. C. to permit the State to sell or exchange such lands for private purposes; and H. R. 8481, to extend the forestry provisions of the Agricultural Act of 1956 to Hawaii. p. D694

6. FEDERAL-STATE RELATIONS. Passed, 241 to 155, with amendments H. R. 3, to establish rules of interpretation governing questions of the effect of acts of Congress on State laws. pp. 12784-818
Agreed, 206 to 88, to an amendment by Rep. Willis which specifically provides for the enforcement of State statutes prescribing criminal penalties for subversive activities. pp. 12793-97
Rejected an amendment by Rep. Withrow to exclude from the bill any act of Congress relating to common carriers and their employees operating in interstate commerce. pp. 12801-02

7. PERSONNEL. The Post Office and Civil Service Committee reported with amendment S. 25, to specify the effective date upon which changes in pay of wage-board employees shall begin following the start of a survey (H. Rept. 2207). p. 12813
The Post Office and Civil Service Committee ordered reported with amendment H. R. 1168, to clarify the application of Sec. 507 of the Classification Act of 1949 with respect to the preservation of the rates of basic compensation of certain employees in cases involving downgrading actions. p. D695
The committee appointed special subcommittees to consider H. R. 9407, to provide additional opportunity for certain employees to obtain career-conditional and career appointments in the competitive service; and H. R. 6552, to authorize the noncompetitive acquisition of a competitive status by employees with a service-connected disability.

8. WATER POLLUTION. The Public Works Committee reported without amendment H. R. 13420, to amend the Federal Water Pollution Act so as to increase the limitation on certain grants for construction from \$250,000 to \$500,000 (H. Rept. 2212). p. 12813

9. ONION FUTURES. Conferees were appointed on H. R. 376, to prohibit trading in onion futures and remove onions from regulations under the Commodity Exchange Act. Senate conferees have not been appointed. p. 12781

10. APPROPRIATIONS. Received the conference report on H. R. 11645, the Labor-HEW appropriation bill for 1959 (H. Rept. 2220). With regard to the Mexican Farm Labor program, agreed to restore the House language to provide \$480,600 for determining compliance with contracts under the program, and to provide \$1,550,000 for administration of the program, instead of \$2,250,000 as proposed by the Senate. pp. 12782-84, 12813

11. FARM PROGRAM. Rep. Hill urged the House to "pass an agricultural bill similar to that pending before the Senate," with the inclusion of provisions for the extension of Public Law 480 and the Wool Act. He criticized "political opportunists ... trying to farm the farmer instead of working for sound, beneficial agricultural legislation and programs." p. 12810

July 30, 1958

11. APPROPRIATIONS. Received the conference report on H. R. 12948, the D. C. appropriation bill for 1959 (H. Rept. 2325). pp. 14321-22

12. SMALL BUSINESS. Conferees were appointed on S. 3651, to make equity capital and long-term credit more readily available to small business. Senate conferees have not been appointed. p. 14326

13. AREA REDEVELOPMENT. Rep. Siler urged enactment of S. 3683, to provide Federal aid to economically depressed areas. pp. 14326-27

SENATE

14. APPROPRIATIONS. Agreed to the conference report on H. R. 11514, the independent offices appropriation bill for 1959, agreed to certain House amendments, and voted, 44 to 39, to recede from an item in disagreement to include \$589 million for the Civil Service Retirement and Disability Fund. Sen. Sparkman spoke against the elimination of \$100,000 for HHFA farm housing research, and Sens. Saltonstall and Magnuson stated they would consider the matter next Jan. in the supplemental or regular independent offices appropriation bill (pp. 14246-7). This bill will now be sent to the President. pp. 14243-56

Passed, 71 to 0, with amendment H. R. 12738, the Defense Department Appropriation bill for 1959, and conferees were appointed (pp. 14258-9, 14261-87). Agreed to an amendment, applying generally to Government departments and agencies, to require reports to Congress in writing, following the close of each calendar quarter, of the amount of each budgetary reserve in effect at the end of such quarter and the purpose for which each such reserve was established. This was a modification, proposed by Sen. Hayden, of a committee amendment that had been reported on this subject (pp. 14264-5).

Passed without amendment H. J. Res. 672, to make temporary appropriations until Aug. 31, 1958, to various agencies until their regular 1959 appropriation bills are enacted. This measure will now be sent to the President. p. 14191

15. TRANSPORTATION. Both Houses agreed to the conference report on S. 3778, to strengthen the national transportation system. This bill will now be sent to the President. pp. 14205-8, 14326

16. AGRICULTURE AND FORESTRY COMMITTEE ordered reported the following bills:

Without amendment:

~~H. R. 6542, to authorize the conveyance of certain forest lands to Dayville, Wyo.;~~

~~H. R. 11800, to authorize the Secretary to sell a tract of land and buildings thereon under the jurisdiction of ARS to Clifton, N. J.;~~

~~S. 3333, to improve the insured loan program of FHA;~~

~~H. R. 12224, to prohibit the creation of an acreage history on peanuts after 1957 by those growing peanuts without an acreage allotment;~~

~~H. R. 12840, to provide a single acreage allotment for Va. sun-cured and Va. fire-cured tobaccos if farmers vote approval in a referendum;~~

~~S. 4151, to establish uniform provisions for the transfer of acreage allotments when the landowner is displaced by an agency having the right of eminent domain;~~

~~S. 3858, to authorize CCC to purchase flour and cornmeal for donation instead of having such products processed from its own stocks; and~~

~~H. Con. Res. 295, endorsing plans of a non-government group to establish a Hall of Fame for Agriculture.~~

With amendment:

S. 2142, to amend the Agricultural Marketing Agreement Act so as to extend restrictions on certain citrus fruits;
S. Res. 344, to authorize the committee to study marketing practices relating to loose and tied tobacco; and
H. R. 12126, to extend to wild animals the same prohibition against entry into the U. S. as domestic animals from any country where rinderpest or foot-and-mouth disease exists;

An original bill to extend the Mexican farm labor program for one year.
p. D758

17. WATERSHED PROJECTS. The Agriculture and Forestry Committee approved the following watershed projects: Adobe Creek, Buena Vista Creek, and Central Sonoma, Calif.; Upper Nanticoke River, Del.; Donaldson Creek, Ky.; Mud Creek, Nebr.; Peavine Mountain, Nev.; Indian Creek, Tenn. and Miss.; and Cook Creek, Wis.
pp. D758-9

18. FORESTRY. Conferees were appointed on S. 3051, to provide for either private or Federal acquisition of that part of the Klamath Indian forest lands which must be sold. House conferees have not been appointed. pp. 14257-8

19. RESEARCH. The Government Operations Committee reported with amendments S. 4039, to authorize the head of any Government agency now making contracts for research to grant funds for the support of such research (S. Rept. 2044).
p. 14186

20. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 7710, to provide for the lump sum payment of all accumulated and accrued annual leave of deceased employees (S. Rept. 2055). p. 14186

21. FISHERIES; EXTENSION. The Interstate and Foreign Commerce Committee reported with amendments S. 2973, to establish a fishery extension service in the Fish and Wildlife Service to carry out cooperative fishery extension work with the States (S. Rept. 2063). p. 14186

22. MINERALS. The Interior and Insular Affairs Committee reported with amendment S. 4146, to provide for incentive payments to minerals producers (S. Rept. 2057). p. 14186

23. FARM INCOME. Sen. Hruska discussed the July release of USDA "Farm Income Situation," showing the increase in farm income, and inserted 14 statements based on USDA statistics showing the upward trend in farm income and living standards. pp. 14199-200

24. ELECTRIFICATION. Sen. Neuberger criticized the alleged bias of Douglas McKay as Chairman of the International Joint Commission studying the position of the Federal government as to joint actions with Canada in developing the Columbia River Basin, asserted that his opposition to Federal power developments made him unsuitable for formulating the Federal position in this area, and inserted an editorial on the matter. pp. 14204-5

25. HUMANE SLAUGHTER. Sen. Allott stated that the humane slaughter bill, because of the discretion granted the Secretary for formulating regulations, was "one of the best, prime example of what legislation should not be." pp. 14190-1

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued August 6, 1958
For actions of August 5, 1958
85th-2d, No. 133

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HIGHLIGHTS: House debated bill to increase public debt limit. House and Senate committees reported bill to facilitate USDA insured loans. Rep. Mathews urged passage of House committee farm bill. House subcommittee ordered reported bill for transfer of employees to international organizations. Senate committee reported foreign aid appropriation bill.

HOUSE

1. PUBLIC DEBT. Debated H. R. 13580, to increase the public debt limit to \$285 billion. At the request of Rep. McCormack a vote on the bill was postponed until today, Aug. 6. pp. 14880, 14883-89, 14889-910, 14946
2. FARM LOANS. The Agriculture Committee reported with amendment H. R. 10965, to improve the insured-loans program under Title I of the Bankhead-Jones Farm Tenant Act (H. Rept. 2447). p. 14946
3. PERSONNEL. A subcommittee of the Post Office and Civil Service Committee ordered reported S. 4004, to encourage transfers of Federal employees for service with international organizations. p. D799
4. MILITARY CONSTRUCTION. Received the conference report on H. R. 13015, the military construction authorization bill (H. Rept. 2429). As reported by the conferees the bill limits the number of houses which may be contracted for with the use of foreign currencies accumulated under Public Law 480 to 4,000 units. pp. 14866-79, 14946
5. TRANSPORTATION; TRAVEL. Passed under suspension of the rules S. 377, to provide a 2-year statute of limitations on actions involving transportation of property and passengers of the U. S. Government. Substituted the language of H. R. 8742, as passed by the House earlier in the day, for that of S. 377. H. R. 8742 was laid on the table. pp. 14880-81, 14889
6. FARM LABOR. The Rules Committee reported a resolution for consideration of H. R. 10360, to continue for 2 years the authority for the Attorney General to permit the importation of aliens for agricultural employment. pp. 14889, 14964
7. FARM PROGRAM. Rep. Matthews explained the provisions of S. 4071, the farm bill, as reported by the House Agriculture Committee, and urged enactment of the Committee bill. pp. 14924
Rep. Hill inserted a letter from the National Wool Growers Assoc. urging passage of S. 4071 as reported by the House Agriculture Committee, and stated, "We feel certain that the conference committees can iron out major differences existing in the House and Senate versions of the farm bill and can develop legislation which will be acceptable to the administration." p. 14910
8. SALINE WATER. The Interior and Insular Affairs Committee reported with amendment S. J. Res. 135, to provide for the construction by Interior of demonstration plants for the production, from saline or brackish waters, of water suitable for agricultural, industrial, and municipal uses (H. Rept. 2450). p. 14946
9. RECLAMATION. The Interior and Insular Affairs Committee reported S. 4009, without amendment, to increase the amount authorized to be appropriated for the Washoe reclamation project, Nev. and Calif. (H. Rept. 2451); and S. 3448, with amendment, to permit the Secretary of the Interior to authorize increases in the 160-acre limitation on the Seedskadee Reclamation project (H. Rept. 2454). p. 14946
10. CONTRACTS. The Ways and Means Committee reported without amendment H. R. 11749, to extend the Renegotiation Act of 1951 for 2 years (H. Rept. 2466). p. 14947

Aug 5, 1958

- 3 -

11. SMALL BUSINESS. Conferees agreed to file a conference report on S. 3651, to make equity capital and long-term credit more readily available for small business concerns. p. D799

12. EDUCATION. Rep. Frelinghuysen inserted a statement by HEW Secretary Flemming favoring H. R. 13247, the national defense education bill, and explaining the provisions of the bill. p. 14925

13. LEGISLATIVE PROGRAM. Rep. McCormack announced that the conference report on H. R. 13015, the military construction authorization bill, will be considered Wed., Aug. 6 (p. 14925). Also scheduled for consideration the same day are S. 4071, the farm bill, H. R. 11056, to regulate the imports of certain fruits and nuts, and H. R. 13580, to increase the public debt limit.

SENATE

14. APPROPRIATIONS. The Appropriations Committee reported with amendments H. R. 13192, the mutual security appropriation bill for 1959 (S. Rept. 2204) (p. 14773). The Daily Digest states that the bill provides \$3.5 billion, a \$440 million increase over the House-passed figure (p. D795).

15. SURPLUS DISPOSAL; FOREIGN TRADE. Both Houses received the President's semi-annual report on Public Law 480 operations, Jan. 1-June 30, 1958. pp. 14771, 14881 (H. Doc. 431)
The Agriculture and Forestry Committee reported without amendment S. 3858, to authorize CCC to purchase flour and cornmeal for donation instead of being limited to having such products processed from its own stocks (S. Rept. 2196). p. 14773
Sen. Humphrey discussed health problems and our foreign policy in the Middle East and urged the importance of using surplus foods to reduce human suffering. pp. 14845-8

16. LOANS. The Agriculture and Forestry Committee reported without amendment S. 3333, to improve the insured loan program of the FHA (S. Rept. 2192). p. 14773

17. FARM LABOR. The Agriculture and Forestry Committee reported an original bill/ to extend the Mexican farm labor program for 1 year (S. Rept. 2189). p. 14773 S. 4232

18. FORESTRY. Concurred in the House amendment of S. 1748, to add certain lands in Ida. and Wyo. to the Caribou and Targhee National Forests. This bill will now be sent to the President. p. 14819
Sen. Morse stated that big timbermen were attempting to prevent the use of provisions in the Small Business Act of 1958 which would help smaller lumbermen by setting aside timber for them to cut, and urged that the Small Business Administration take its own course. p. 14862

19. ROADS. Passed H. R. 12776, to revise and codify the laws relating to "Highways," with an amendment substituting the language of S. 3953 as reported by the Senate committee. S. 3953 was indefinitely postponed. pp. 14819-32

20. DESERT-LAND ENTRIES. Concurred in the House amendments to S. 359, to permit desert land entries on disconnected tracts of land aggregating less than 320 acres and forming a compact unit. This bill will now be sent to the President. p. 14818

21. RECLAMATION. Concurred in the House amendment to S. 4002, to authorize the Grey Reef Dam and Reservoir as a part of the Glendo unit of the Missouri River Basin Project. This bill will now be sent to the President. p. 14818
The Interior and Insular Affairs Committee reported with amendments S. 3648, to authorize the Interior Department to construct and operate the Navaho Indian Irrigation project and the initial stage of the San Juan-Chama project (S. Rept. 2198); and S. 1887, to authorize the Interior Department to construct the San Luis unit, Central Valley Project, Calif., and to enter into an agreement with the State to operate it (S. Rept. 2202). p. 14773

22. LANDS. The Agriculture and Forestry Committee reported without amendment H. R. 6542, to authorize the conveyance of certain forest lands to Dayton, Wyo. (S. Rept. 2194) and H. R. 11800, to authorize the sale of certain ARS lands and buildings to Clifton, N. J. (S. Rept. 2193). p. 14773
Sen. Morse discussed the formula requiring payment of at least 50% of the appraised fair market value for lands to be transferred to local agencies for public purposes, and 100% if for private purposes, which he has insisted on since 1946, in connection with a bill to dispose of certain property in Roseburg, Ore. pp. 14857-62

23. HALL OF FAME. The Agriculture and Forestry Committee reported without amendment H. Con. Res. 295, favoring the establishment of a Hall of Fame for Agriculture (S. Rept. 2190). p. 14773

24. ACREAGE ALLOTMENTS. The Agriculture and Forestry Committee reported with amendment S. 4151, to establish uniform provisions for the transfer of acreage allotments when the landowner is displaced by an agency having the right of eminent domain (S. Rept. 2195). p. 14773

25. IMPORTS. The Agriculture and Forestry Committee reported with amendments S. 2142, to amend the Agricultural Marketing Agreement Act so as to extend restrictions on the importation of certain citrus fruits and figs, (S. Rept. 2191). p. 14773

26. PURCHASING. The Government Operations Committee reported with amendments S. 3224, to assist small business firms to obtain a fair share of Government purchases and contracts and to expedite Government procurement (S. Rept. 2201). p. 14773

27. FISHERIES. The Interstate and Foreign Commerce Committee ordered reported with an amendment in the nature of a substitute bill, S. 3229, the proposed Federal Fisheries Assistance Act of 1958. p. D796

28. FEDERAL-STATE RELATIONS. The Judiciary Committee ordered reported with amendment S. 337, to establish rules of interpretation governing questions of the effect of acts of Congress on State laws. p. D796

29. DEFENSE PRODUCTION. S. 4162, to provide for the cancellation of certain uncollectible loans and operating losses under Title III of the Defense Production Act, was made the unfinished business. p. 14817

30. ELECTRIFICATION. Sen. Humphrey inserted an article by the manager of the Colo. Rural Electric Association urging greater independence of the REA administrator from USDA control. pp. 14839-40

Calendar No. 2242

85TH CONGRESS
2d Session }

SENATE {

REPORT
No. 2192

IMPROVED LENDING ARRANGEMENTS UNDER THE BANKHEAD-JONES FARM TENANT ACT AND THE WATER FACILITIES ACT

AUGUST 5, 1958.—Ordered to be printed

Mr. ELLENDER, from the Committee on Agriculture and Forestry,
submitted the following

R E P O R T

[To accompany S. 3333]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 3333) to facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes, having considered the same, report thereon with a recommendation that it do pass without amendment.

OBJECTIVE OF THE BILL

This bill was requested by the Department of Agriculture. It would amend the Bankhead-Jones Farm Tenant Act and the act of August 28, 1937, commonly known as the Water Facilities Act, so as to facilitate the making and insuring of loans by the Secretary of Agriculture for the acquisition, enlargement, or improvement of farms and the conservation of soil and water resources thereon, make such loans more attractive to investors, make the program self-supporting to a greater degree, facilitate the refinancing of such loans on an uninsured basis and make such insured loans eligible for investment for certain banks. It proposes to accomplish these objectives by—

- (1) Authorizing the conversion of direct loans into insured loans;
- (2) Authorizing limited use of the mortgage insurance fund in making loans, if they can and will be converted to insured loans without undue delay;
- (3) Authorizing the Secretary of Agriculture to receive a larger share of the interest payments on loans sold on an insured basis than he receives under existing law on insured loans;

(4) Authorizing the sale of any loan as an uninsured loan with the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance from another source when it is possible to do so at the prevailing rate;

(5) Giving the Secretary of the Treasury discretion to fix the interest rate on borrowings from the Treasury for use of the mortgage insurance fund, taking into consideration the "current average market yields of outstanding marketable obligations of the United States" having comparable maturities (such interest rate is now fixed by law at "the average rate of interest * * * borne by all interest-bearing obligations of the United States * * *"); and

(6) Amending the National Bank Act to permit a national bank to loan as much as 25 percent (instead of 10 percent) of its capital and surplus to one individual in the case of loans insured by the Secretary of Agriculture under the Bankhead-Jones Farm Tenant Act or the Water Facilities Act.

A more complete explanation is set out in the following section-by-section analysis and in the attached letter from the Secretary of Agriculture.

NEED FOR THE LEGISLATION

During certain periods fluctuation in the investment market has limited the availability of private funds for participation in these programs. Further, private investors have been unwilling to make advance commitments for extended periods. Authority is therefore needed under which loans may be made in anticipation of sale to private investors in blocks immediately when such investment funds become available.

In periods when ample private funds are available, investors may be willing to purchase such loans at a net return somewhat less than that now provided for insured loans. In that event, a greater portion of the interest received from the borrowers can be diverted toward the payment of the cost of servicing these loans.

Under existing law, some national banks are unable to invest in these loans because of the ceiling on loans of 10 percent of the bank's capital and surplus. The bill would raise this ceiling to 25 percent for these loans.

COST

The Department of Agriculture estimates that this legislation will not add to the cost of the program beyond the additional borrowing authorization for a \$5-million revolving fund, to be financed by the Treasury out of the sale of obligations pursuant to the Second Liberty Loan Act. On the contrary, over a period of years operations under the bill should reduce to a considerable extent the overhead administrative costs of the insured loan programs and reduce the direct loan obligations held by the United States.

SECTION-BY-SECTION ANALYSIS

PROPOSED AMENDMENTS TO THE BANKHEAD-JONES FARM TENANT ACT
(7 U. S. C. 1001 ET SEQ.)

Subsection 1 (a) of the bill would add a proposed new section 18 to title I of the Bankhead-Jones Farm Tenant Act, as amended. The proposed new section 18 contains the following provisions:

Section 18 (a) (1) would authorize the Secretary of Agriculture to make direct title I loans with the intention of selling the loans to private lenders and insuring them at the time of sale. Such loans could be made up to 100 percent of the value of the farm, but before the loan could be insured and sold to a private lender, the unpaid balance must be reduced to 90 percent or less of the certified value of the farm less the amount of any prior lien (as provided in the last sentence of sec. 18 (a) (3)). It is contemplated that the security instrument will directly secure the loan while in the hands of the Government and when the loan is sold and insured the security instrument will become an indemnity type mortgage which will still run to the United States notwithstanding the fact that the promissory note is endorsed over to the lender.

Section 18 (a) (2) contemplates that when such a loan is sold the Government will endorse the promissory note for insurance. When so endorsed, the note will be fully insured by the United States as to principal and interest and all of the insurance provisions of title I will become applicable, including, for example, the provision that the validity of the endorsement is incontestable in the hands of the lender except for fraud or misrepresentation of which the lender has actual knowledge.

Section 18 (a) (3) provides that the loan will be sold at the full amount of the unpaid balance at the time of sale, plus an annual charge of not less than 1 percent of the outstanding balance from time to time remaining unpaid. The Secretary will be the collection agent and this charge would be retained by him out of interest payments made by the borrower. The total of the annual charge plus the rate of return to the lender would equal the interest rate specified in the note. One-half of the receipts from such annual charges would be deposited in the farm tenant-mortgage insurance fund. The other half would be available for administrative expenses of the Farmers' Home Administration. Receipts from all charges over and above 1 percent would likewise be available for administrative expenses. No loan would be eligible for sale unless the balance of the loan is 90 percent or less of the certified value of the farm, less the amount of any prior lien, at the time the loan was made, or 90 percent or less of the value of the farm less any prior lien as determined by the Farmers' Home Administration at the time of sale. Appraisal of the farm at the time of sale would not be required.

Section 18 (a) (4) would permit the use of moneys in the mortgage insurance fund for making direct loans with the intention of insuring

and selling them to private lenders. Loans from moneys in the fund would be made in the same manner as loans referred to in section 18 (a) (1), with these differences: (1) The amount of the loan must not exceed 90 percent of the certified value of the farm less the amount of any prior lien at the time of making the loan, and (2) the Secretary must have reasonable assurance that the loan can be sold without undue delay. This provision authorizes the Secretary to borrow an additional sum of not to exceed \$5 million for deposit in the insurance fund to be used as a revolving fund for making title I loans authorized under this provision and for making soil and water conservation loans authorized under the proposed new section 11 (a) (4) to be added to the act of August 28, 1937, as amended, pursuant to section 2 of the bill. The aggregate principal obligations of the loans of both types made under the proposed new authorization and held in the insurance fund shall at no time exceed \$5 million. The funds would be borrowed from the Treasury under section 13 (b) of title I in the same manner as funds are now borrowed to replenish the insurance fund.

Section 18 (b) provides that section 3 (b) (2) of title I, which governs the interest rate for direct title I loans, shall apply to loans made or insured under the proposed new section 18. Section 3 (b) (2) of title I provides for a maximum interest rate of 5 percent. Section 18 (b) further provides that, aside from interest payments, the borrower shall not pay any initial or annual insurance charges, but the Secretary may assess appraisal fees as well as delinquency charges on account of the borrower's default.

Section 18 (c) provides that only loans made out of moneys in the insurance fund under section 18 (a) (4) shall be counted in computing the aggregate amount of loans which may be insured under the maximum insurance authority of \$125 million, as provided in section 12 (b) of title I. The loans would be counted at the time they are made. Loans made under section 18 (a) (1) and any other loans made by the Secretary and converted to insured loans under the proposed new section would not be charged against the \$125 million.

Section 18 (d) provides that the Secretary may insure loans made from funds advanced by other lenders in accordance with the provisions of the proposed new section 18. For example, the promissory note would run to the private lender in the first instance and provision would be made for the Secretary to retain not less than 1 percent out of interest payments made by the borrower. As used in the bill, the term "lenders other than the United States" refers to private lenders such as banks, insurance companies, and like financial institutions, as well as to public and quasi-public corporations or agencies, including the United States as trustee of the assets of a State rural rehabilitation corporation under an agreement pursuant to section 2 (f) of the State Rural Rehabilitation Corporation Trust Liquidation Act (40 U. S. C. 440 (f)). Section 18 (d) further provides that all of the provisions of title I shall apply to loans made or insured under the proposed new section 18 except as otherwise provided in the new section.

Section 18 (e) provides that any loan made or insured under title I, whether under prior authority or subsequent to the enactment of the bill, may be converted by the Secretary to a loan insured under the proposed new authorization. This would apply to loans held by the

insurance fund as well as to those in the hands of lenders. The costs of such conversion may be paid by the Secretary out of administrative expenses. Such conversion would require new or supplemental agreements and security instruments and probably a continuation search of the title to the farm.

Section 18 (f) would authorize the Secretary to sell any Government-held title I direct or insured loan on a noninsured basis, provided the written consent of the borrower is obtained. This would permit the Secretary to graduate borrowers to private credit without requiring the borrower to obtain a new loan and incur expenses of title clearance and other costs incident to refinancing. The loans would be sold at the full amount of the unpaid balance and the security instrument as well as the promissory note would be assigned outright to the purchaser. This would require an agreement between the Government and the purchaser nullifying the Government's rights and obligations under the note and security instrument.

Section 1 (b) of the bill would amend section 13 (b) of title I which presently provides that the notes issued to the Treasury for funds borrowed to replenish the insurance fund shall bear interest at a rate equal to the average rate of interest borne by interest-bearing public debt obligations of the United States and that the notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury. The proposed amendment would give the Secretary of the Treasury discretionary authority to fix the rate of interest for such notes, but provides that he shall take into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Farmers' Home Administration. There is no change in the provision for fixing the maturities of the notes issued to the Treasury.

PROPOSED AMENDMENTS TO THE NATIONAL BANKING ACT, AS AMENDED
(12 U. S. C. 84)

Section 1 (c) of the bill would amend section 15 (a) of title I so as to relax the limitation in section 5200 of the Revised Statutes (12 U. S. C. 84) which restricts the amount a national bank may loan to any one person, partnership, association, or corporation to 10 percent of the bank's capital and surplus. The proposed amendment would except insured title I loans and soil and water conservation loans insured under the act of August 28, 1937, as amended, from this restriction by changing the limitation from 10 percent to 25 percent of the bank's capital and surplus.

PROPOSED AMENDMENTS TO THE ACT OF AUGUST 28, 1937 (16 U. S. C.
590 r-X)

Section 2 of the bill would add a new section 11 to the act of August 28, 1937, as amended, commonly called the Water Facilities Act. The provisions of the proposed new section 11 are almost identical to those of the proposed new section 18 discussed above and would provide substantially the same authorizations with respect to soil and water conservation loans under the Water Facilities Act as would section 18 with respect to loans under title I of the Bankhead-Jones

Farm Tenant Act. The foregoing comments with respect to each item and subsection of section 18 will apply to section 11, except that the latter makes applicable the loan requirements and insurance provisions of the Water Facilities Act rather than those of title I. There are other minor differences between sections 18 and 11 as follows:

1. Both sections provide that before any loan made out of appropriated funds is insured and sold, or before any loan is made out of monies in the insurance fund, the unpaid amount of the loan shall not exceed 90 percent of the value of the security property less the amount of any prior lien. However, section 18 relates the 90 percent limitation to the value of the "farm," whereas section 11 relates it to the "security" which may consist of real estate or chattels or both. Section 11 provides that when the borrower is an association, including a corporation not operated for profit and a public or quasi-public agency, the 90 percent limitation shall not apply.

2. Section 18 (b) provides that the interest rate shall be as provided in section 3 (b) (2) of title I, but subsection 11 (b) makes no reference to interest rate because the Water Facilities Act presently authorizes the Secretary to make or insure loans upon such terms as he may prescribe.

3. Section 11 (b) provides that the proceeds of appraisal fees and delinquency charges shall be deposited in the Treasury for use for administrative expenses. This provision is not included in subsection 18 (b) because section 12 (d) of title I presently so provides.

4. Section 18 (c) refers to the \$125 million insurance authority governing title I loans, whereas subsection 11 (c) refers to the \$25 million insurance authority governing soil and water conservation loans. These provisions are otherwise identical.

AGENCY VIEWS

DEPARTMENT OF AGRICULTURE,
Washington, D. C., February 11, 1958.

The PRESIDENT OF THE SENATE,
United States Senate.

DEAR MR. PRESIDENT: There is submitted herewith for consideration by the Congress a draft of a bill which would amend title I of the Bankhead-Jones Farm Tenant Act, as amended (7 U. S. C. 1000 et seq.), and the act of August 28, 1937, as amended (16 U. S. C. 590r-590x-3), to facilitate the insurance of farm ownership and soil and water conservation loans.

Farm ownership loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and soil and water conservation loans under the act of August 28, 1937, as amended, are of two types: (1) direct loans made from funds borrowed from the Secretary of the Treasury and (2) loans made from funds advanced by private lenders and insured by the Government. It is the policy of the Department to make insured loans whenever the applicant can qualify and funds from private lenders are available. The proposed legislation will facilitate the insurance of loans by authorizing the conversion of direct loans to insured loans, by authorizing the making of loans to be sold in blocks to interested private lenders, and by providing flexibility, within limits, in determining the portion of the interest charges to be retained by the Government as compensation for the insurance of the

loan and to cover administrative expenses. In addition, the amendments are designed to assist in graduating borrowers to other sources of credit by facilitating the transfer of indebtedness to private lenders with the consent of the borrowers.

Under the proposed amendments, loans otherwise eligible for insurance under title I, but made from direct Government funds because funds from private sources are not available, could be converted to insured loans whenever funds from private sources become available. This would result in reducing the direct loan indebtedness to the Secretary of the Treasury and, in turn, act to reduce the public debt.

We recommend that these amendments be enacted.

Section 1 (a) of the proposed bill would add a new section 18 to title I of the Bankhead-Jones Farm Tenant Act, as amended, containing the following provisions:

(1) Authorizes the making of direct loans which could be converted to insured loans and sold to private lenders provided the outstanding obligation of the loan at the time of sale does not exceed 90 percent of the value of the farm less any prior lien indebtedness. Security for the loan would be taken in the name of the Government notwithstanding the fact that the note later may be held by a private lender or his assignee.

2. Authorizes the sale of direct loans to private lenders on an insured basis at the full amount of the unpaid balance plus an annual charge of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan. This charge would be retained out of interest payments made by the borrower. One-half of the receipts from minimum charges of 1 percent would be deposited in the farm tenant-mortgage insurance fund. The other one-half would be available for administrative expenses. Receipts from all charges over and above 1 percent would be available for administrative expenses. The use of this provision would make it possible to secure a greater share of the interest payments made by the borrower for use of the Government in circumstances where private lenders could be found who would advance funds for the loan at an interest rate of more than 1 percent below the rate paid by the borrower. It seems that in future years circumstances would arise in which insured loans which were held by the insurance fund could be disposed of to private lenders at an interest rate permitting the Government to retain more than 1 percent of the total interest rate called for in the note.

(3) Experience with the insured loan programs of the Farmers' Home Administration indicates that many lenders are reluctant to advance funds for individual loans, but are willing to accept a block of loans aggregating a substantial amount. To assist in overcoming this difficulty, the proposed bill authorizes borrowing, through the farm tenant-mortgage insurance fund, not in excess of \$5 million, for the purposes of making loans under title I of the Bankhead-Jones Farm Tenant Act and the act of August 28, 1937, to be insured and sold to private lenders in blocks. This authority could not be used unless there was reasonable assurance that the loans could be sold without undue delay.

(4) Authorizes converting any direct loan or any insured loan to an insured loan within the provisions of the proposed section 18.

(5) The Bankhead-Jones Farm Tenant Act presently provides that a borrower shall refinance his loan whenever he may be able to obtain a loan from another source at the rate prevailing in the area but not in excess of the rate of 5 percent. One of the difficulties in securing full compliance with this provision has been the necessity for the borrower to liquidate his present loan and incur title clearance and other expenses in connection with a new loan. The proposed bill would authorize the sale of any Government-held title I direct or insured loan with the consent of the borrower, or without his consent if the borrower fails to comply with his agreement to refinance his indebtedness when he is able to do so.

Section 13 (b) of title I of the Bankhead-Jones Farm Tenant Act presently provides that funds borrowed from the Secretary of the Treasury for use of the Farm Tenant-Mortgage Insurance Fund shall bear interest at a rate equal to the average rate of interest on outstanding interest-bearing marketable public debt obligations of the United States. Section 1 (b) of the proposed bill would amend this section to give the Secretary of the Treasury discretionary authority to set the rate but providing that he take into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary of Agriculture.

Section 1 (c) of the proposed bill would amend section 15 (a) to make it easier for small banks to participate in the insured loan programs. Many of the national banks are unable to make the average loan under title I of the Bankhead-Jones Farm Tenant Act and some of the larger loans under the act of August 28, 1937, because of the provision in the National Bank Act limiting the amount of indebtedness of any one individual to 10 percent of the bank's capital and surplus. The proposed bill would amend the National Bank Act to lift this limitation to the equivalent of 25 percent of the bank's capital and surplus with respect to these two types of insured loans.

Section 2 of the proposed bill would add a new section 11 to the act of August 28, 1937, providing similar authority for loans made under that act as contained in the proposed new section 18 of title I of the Bankhead-Jones Farm Tenant Act, as amended. One additional change would limit loans made to individuals and insured under the proposed new section 11 to 90 percent of the value of the security taken in connection with the loan less any prior lien indebtedness. There is no restriction in the present act with respect to the amount of the loan as related to the value of the security. Loans to associations, including corporations not operated for profit and public and quasi-public agencies, would not be subject to this limitation.

Aside from the proposed borrowing authority for the fund out of which insurable loans would be initially made, the proposed amendments would involve no additional expenditures and should, over a period of several years, reduce to a considerable extent the overhead administrative costs of the insured loan programs. Also, as indicated above, the conversion of direct loans to insured loans would reduce the direct loan indebtedness.

The Bureau of the Budget advises that enactment of this proposed legislation would be in accord with the program of the President.

Sincerely yours,

E. T. BENSON.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 23, 1958.

Hon. ALLEN J. ELLENDER,

*Chairman, Committee on Agriculture and Forestry,
United States Senate.*

DEAR MR. CHAIRMAN: Bill S. 3333 to amend title I of the Bankhead-Jones Farm Tenant Act has been introduced and referred to your committee.

The objective of this bill is to facilitate the insurance of farm ownership and soil and water conservation loans. The proposed legislation would authorize the Secretary of Agriculture to make loans complying with the requirements of the act and to sell such loans individually or in blocks to private lenders on an insured basis at the full amount of the unpaid balance plus an annual charge of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan. The Secretary would be authorized to borrow up to \$5 million from the Secretary of the Treasury to make these loans. No loans can be made unless the Secretary of Agriculture has reasonable assurance that the loans can be sold without undue delay.

Pursuant to title I of the Bankhead-Jones Farm Tenant Act, insured loans are made from funds provided by private lenders to eligible applicants and the mortgages are insured by Farmers' Home Administration. Insured loans are made for the same purposes and terms as direct loans made by FHA, except that insured loans are limited in amount to 90 percent of the lesser of the appraised value or purchase price of the farm.

The FHA insured loan program differs from the usual Government insured loan program in that (a) FHA handles all details of making the loans, including locating funds, processing applications, supervising borrowers' operations, servicing accounts, and making and transmitting collections to the lenders; (b) the Government is the mortgagee for the loan, the lender merely the holder of the note; and (c) under existing legislation FHA is required to purchase the loans at the lender's request after the loans have been outstanding for an agreed initial fixed period of not less than 5 years. The only significant difference between direct loans and insured loans is that funds for direct loans are obtained from the Treasury Department and funds for insured loans are obtained directly from the public. The annual charge of 4½ percent to borrowers on loans insured by FHA, comprised of interest of 3½ percent to lenders and a 1 percent charge retained by FHA for insurance premium and loan servicing, is the same as the interest rate under the FHA direct loan programs. The farm tenant-mortgage insurance fund is used for insuring these loans.

In our report to the Congress on the audit of Farmers' Home Administration for fiscal year 1955 (B-114873, November 30, 1956), we commented on the insured loan program (pp. 31 to 35) and stated that the administrative expenses borne by FHA under the insured loan programs are larger than the expenses would be for a comparable volume of direct loans. Additional expenses include the cost of locating funds, handling the transactions through private lenders, and the cost of purchasing and refinancing loans acquired at the request of lenders. Under the proposed legislation, it would be possible to reduce these additional expenses by selling the loans in blocks to private lenders.

We also stated that under the insured loan program, less funds are available to cover program costs than would be available under a direct loan program. Funds available (service and insurance charge) during 1956 under the insured loan program were about a million dollars; under a direct loan program of comparable size about \$2 million would have been available to the Government after allowing for interest, at the average rate on total public issues, on Treasury funds required to finance the program. However, under the proposed legislation, it would be possible under certain circumstances for the Government to retain a greater portion of the interest charges on insured loans as compensation for insurance of the loan and to cover administrative expenses.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

BANKHEAD-JONES FARM TENANT ACT

TITLE I—TENANT PURCHASE LOANS AND MORTGAGE INSURANCE

* * * * *

SEC. 13. (a) In any case in which the mortgagor under a mortgage insured under this title is in default in the payment of principal or interest for more than twelve months, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon assignment to the Secretary of (1) all the mortgagee's rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction; (3) all policies of title or other insurance and all surety bonds and other guaranties and any and all claims thereunder relating to the mortgage or the mortgaged property; (4) any balance of the mortgage loan not advanced to the mortgagor; and (5) any cash or property held by the mortgagee, or to which he is entitled, as deposit made for the account of the mortgagor and which has not been applied in reduction of the principal of the mortgage indebtedness; and upon transfer to the Secretary of such originals or copies of records, documents, books, papers and accounts relating to the mortgage transaction, as the Secretary prescribes. Upon such assignment and transfer, the Secretary shall pay to the mortgagee, in cash, an amount equal to the value of the mortgage and the note and mortgage shall thereupon become a part of the fund. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of default, the amount of all unpaid interest and the amount of all payments which have been made by the mortgagee for taxes, special assessments, water rates, and other payments in

discharge of liens which are prior to the mortgage, and insurance on the property mortgaged, and by deducting from such total amount any amount received on account of the mortgage indebtedness after such default.

(b) If there should not be sufficient cash in the fund to enable the Secretary to make payments to mortgagees as provided in subsection (a) of this section, the Secretary may make and issue notes to the Secretary of the Treasury to obtain funds to make such payments. Such notes shall be signed by the Secretary or by his duly authorized representatives and shall be negotiable. [Such notes shall bear interest, payable semiannually, at a rate equal to the average rate of interest, computed to the end of the calendar month next preceding the date of issue, borne by all interest bearing obligations of the United States then forming a part of the public debt, and shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury.] Such notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury, and shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary.

* * * * *

SEC. 15. (a) The first paragraph of section 24, chapter 6, of the Federal Reserve Act, as amended (U. S. C., 1940 ed., title 12, sec. 371) (relating to loans on farm lands by member banks), is hereby amended by inserting after the words "National Housing Act", the following: "or which are insured by the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act". Section 5200 of the Revised Statutes (12 U. S. C. 84) is hereby amended to add a new paragraph bearing the next number after that of the last paragraph of the present section 5200 of the Revised Statutes and reading as follows: "Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the Act of August 28 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus."

* * * * *

SEC. 18. (a) The Secretary of Agriculture is authorized:

(1) To make loans complying with the requirements of title I of this Act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this title;

(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 per centum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: Provided, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the

note. Out of the charges so collected an amount not in excess of one-half of 1 per centum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan shall be sold if such balance exceeds 90 per centum of the amount certified by the county committee to be the value of the farm, less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

(4) To make loans out of moneys in the fund for the purpose of insuring and selling the same under this section: Provided, however, That no loan made under this item (4) shall be in excess of 90 per centum of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness: And provided further, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay. The Secretary may, at his discretion, utilize the provisions of subsections 13 (b) and 13 (c) of this title to borrow from the Secretary of the Treasury an additional sum not in excess of \$5,000,000 for deposit in the fund for this purpose and said subsections are hereby extended to cover such borrowings for the purpose of making loans under this item (4) and under item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended (relating to the conservation of water resources). The amount of the principal obligations on loans made under this item (4) and not disposed of under this section, plus the amount of the principal obligations on loans made out of moneys in the fund under said item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended, and not disposed of under such section 11, shall not exceed the aggregate sum of \$5,000,000 at any one time.

(b) The interest rate shall be as provided in section 3 (b) (2) of this title and the borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper.

(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 12 (b) of this title, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section. Loans made or insured under this section shall be subject to all the provisions of this title except as otherwise provided in this section.

(e) Any loan heretofore or hereafter made or insured under this title may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this title without insurance thereof upon the written consent of the borrower, or without such consent when the

borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan.

ACT OF AUGUST 28, 1937

AN ACT To promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes

SEC. 1. That it is hereby recognized that the wastage and inadequate utilization of water resources on farm, grazing, and farming lands resulting from inadequate facilities for water storage and utilization contribute to the destruction of natural resources, injuries to public health and public lands, droughts, periodic floods, crop failures, decline in standards of living, and excessive dependence upon public relief, and thereby menace the national welfare. It is therefore hereby declared to be the policy of Congress to assist in providing facilities for water storage and utilization in the United States including the Territories of Alaska and Hawaii, and Puerto Rico and the Virgin Islands.

SEC. 2. In order to effectuate this policy and promote proper land use, the Secretary of Agriculture is hereby authorized, from time to time—

(1) To formulate and keep current a program of projects for the construction and maintenance of ponds, reservoirs, wells, check-dams, pumping installations, and other facilities for water storage or utilization, together with appurtenances to such facilities. The facilities to be included within such program shall be located where they will promote the proper utilization of lands and no such facilities shall be located where they will encourage the cultivation of lands which are submarginal and which should be devoted to other uses in the public interest;

(2) To construct and to sell or lease, with or without a money consideration, under such terms and conditions as will advance the purposes of this Act, the facilities mentioned in section 2 (1) and included within the program there provided for, including the lands upon which such facilities are located if they have been acquired or reserved for the purposes of this Act;

(3) To cooperate or enter into agreements with, or to furnish financial or other aid to, any agency, governmental or otherwise, or any person, subject to such conditions as he may deem necessary for the purposes of this Act; and

(4) To obtain options upon and to acquire lands, or rights or interests therein, or rights to the use of water, by purchase, lease, gift, exchange, condemnation, or otherwise, only when necessary for the purposes of this Act.

SEC. 3. The facilities included in the program provided for in section 2 (1) may be located—

(a) On lands owned or controlled by the United States or any of its agencies, with the cooperation of the agency having jurisdiction thereof; and

(b) On any other lands upon obtaining proper consent or the necessary rights or interests in such lands.

SEC. 4. As a condition to extending benefits under this Act to any lands not owned or controlled by the United States or any of its agencies, the Secretary of Agriculture may, insofar as he may deem necessary for the purpose of this Act, require—

(1) The enactment of State and local laws providing for soil conserving land uses and practices, and the storage, conservation and equitable utilization of waters;

(2) Agreements or covenants in regard to the maintenance and permanent use of such water, facilities, or lands benefited by such facilities;

(3) Contributions in money, services, materials, or otherwise to any operations conferring such benefits.

SEC. 5. The Secretary of Agriculture, in administering the provisions of this Act, shall utilize the officers, employees, and facilities of agencies within the Department of Agriculture whose functions are related to the program provided for in this Act, and may allot to such agencies or transfer to such other agencies of the Federal Government as he may request to assist in carrying out any of the provisions of this Act, any funds available for the purposes of this Act.

SEC. 6. For the purposes of this Act, the Secretary of Agriculture may—

(1) Secure the cooperation of any governmental agency;

(2) Make expenditures for personal services and rent in the District of Columbia and elsewhere, for the purchase of law books and of reference, for printing and binding, for the purchase, exchange, operation, and maintenance of passenger-carrying vehicles, for supplies and equipment, for traveling expenses and for other administrative expenses; and

(3) Perform such acts, and prescribe such rules and regulations as he may deem proper to carry out the provisions of this Act.

SEC. 7. There are hereby authorized to be appropriated for the purposes of this Act such sums as Congress may from time to time determine to be necessary.

SEC. 8. No aid shall be extended under the provisions of this Act which will result in any individual, partnership, trust, estate, corporation engaged in farming, or unincorporated association becoming indebted to the United States in a principal amount outstanding at any time in excess of \$25,000, or which will result in any other corporation or agency becoming indebted in a principal amount outstanding at any time in excess of \$250,000, or which after January 1, 1954, shall provide for construction work, other than technical assistance, being done by the Secretary.

SEC. 9. The Secretary of Agriculture is authorized, upon such terms and conditions as he shall prescribe, to make loans for the purposes of financing the improvement of farm land by soil or water conserving or drainage facilities, structures or practices, improvement of soil fertility, establishment of improved permanent pasture, sustained yield afforestation or reforestation, or other erosion preventatives, and such other related measures as may be determined from time to time by the Secretary.

SEC. 10. (a) In order to establish a program of insuring loans made by lenders other than the United States which comply with the

requirements of this Act and are in furtherance of its objectives, the Secretary of Agriculture—

(1) is authorized to insure and make commitments to insure such loans on such terms and conditions as he may prescribe;

(2) is authorized to include in insurance contracts agreements to service loans insured thereunder and to purchase such loans which are not in default on such terms and conditions as he may prescribe;

(3) shall utilize the insurance fund (hereinafter called the Fund) created by section 11 of the Bankhead-Jones Farm Tenant Act, as amended, and the provisions of sections 13 (b) and (c) of the said Bankhead-Jones Farm Tenant Act to discharge obligations under insurance contracts made pursuant to this Act;

(4) shall require the borrower to pay such insurance charges as he deems proper, taking into account the amount of the loan and prior liens: *Provided, however,* That the charge shall be payable in advance at intervals of one year or less and shall be at a rate equal to at least 1 per centum per annum of the principal outstanding on the loan insured on the due date of the charge;

(5) may utilize the Fund to pay taxes, insurance, prior liens, and other expenses to protect the security for loans which have been insured hereunder, and to acquire such security property at foreclosure sale or otherwise;

(6) shall liquidate acquired security property in such manner and on such terms as he deems will best preserve the Fund; and

(7) shall have authority to make such rules and regulations and such delegations of authority as he deems appropriate in order to carry out the provisions of this Act.

(b) Notes and the security therefor acquired by the Secretary under insurance contracts shall become a part of the Fund. The notes may be held in the Fund and collected according to their terms or may be sold and reinsured. All proceeds from such collections, including the liquidation of security, and sales shall become a part of the Fund.

(c) One-half of all insurance charges shall become a part of the Fund and one-half shall be deposited in the Treasury of the United States and shall be available for administrative expenses in connection with the insurance program authorized by this Act.

(d) Any contract of insurance executed by the Secretary under this Act shall be an obligation of the United States and incontestable except for fraud or misrepresentation of which the holder of the contract has actual knowledge. The provisions of sections 11 and 13 (b) and (c) of the Bankhead-Jones Farm Tenant Act, as amended, shall be applicable and available for the purpose of providing funds for the discharge of obligations arising under the insurance program authorized by this Act.

(e) The aggregate amount of the principal obligations on loans insured under this Act, shall not exceed \$25,000,000 in any one fiscal year.

(f) The first paragraph of section 24, chapter 6, of the Federal Reserve Act, as amended (12 U. S. C., 1952 edition, 371) is hereby amended by inserting after the phrase "Bankhead-Jones Farm Tenant Act" the following: "or the Act of August 28, 1937, as amended".

SEC. 11. (a) *The Secretary of Agriculture is authorized:*

(1) *To make loans complying with the requirements of this Act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;*

(2) *To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this Act;*

(3) *To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 per centum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: Provided, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 per centum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers' Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be sold if such balance exceeds 90 per centum of the value of the security less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;*

(4) *To make loans out of moneys in the fund, including funds borrowed from the Secretary of the Treasury under item (4) of subsection 18 (a) of the Bankhead-Jones Farm Tenant Act, as amended, within the aggregate limits therein provided, for the purpose of insuring and selling such loans under this section: Provided, however, That no loan made under this item (4) shall be in excess of 90 per centum of the value of the security less any prior lien indebtedness, but such limitation shall not apply to loans to associations, including corporations not operated for profit and public or quasi-public agencies: And provided further, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay.*

(b) *The borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges shall be deposited in the Treasury for use for administrative expense as provided in item (a) (3) of this section.*

(c) *The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 10 (e) of this Act, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.*

(d) *Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions con-*

sistent with the provisions of this section, but no such loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be in excess of 90 per centum of the value of the security less any prior lien indebtedness. Loans made or insured under this section shall be subject to all the provisions of this Act except as otherwise provided in this section.

(e) Any loan heretofore or hereafter made or insured under this Act may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this Act without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan.

SECTION 5200, REVISED STATUTES (12 U. S. C. 84)

SEC. 5200. The total obligations to any national banking association of any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the capital stock of such association actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund. The term "obligations" shall mean the direct liability of the maker or acceptor of paper discounted with or sold to such association and the liability of the indorser, drawer, or guarantor who obtains a loan from or discounts paper with or sells paper under his guaranty to such association and shall include in the case of obligations of a copartnership or association the obligations of the several members thereof and shall include in the case of obligations of a corporation all obligations of all subsidiaries thereof in which such corporation owns or controls a majority interest. Such limitation of 10 per centum shall be subject to the following exceptions:

(1) Obligations in the form of drafts or bills of exchange drawn in good faith against actually existing values shall not be subject under this section to any limitation based upon such capital and surplus.

(2) Obligations arising out of the discount of commercial or business paper actually owned by the person, copartnership, association, or corporation negotiating the same shall not be subject under this section to any limitation based upon such capital and surplus.

(3) Obligations drawn in good faith against actually existing values and secured by goods or commodities in process of shipment shall not be subject under this section to any limitation based upon such capital and surplus.

(4) Obligations as indorser or guarantor of notes, other than commercial or business paper excepted under (2) hereof, having a maturity of not more than six months, and owned by the person, corporation, association, or copartnership indorsing and negotiating the same, shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.

(5) Obligations in the form of banker's acceptances of other banks of the kind described in sections 372 and 373 of this Act shall not be subject under this section to any limitation based upon such capital and surplus.

(6) Obligations of any person, copartnership, association, or corporation, in the form of notes or drafts secured by shipping documents, warehouse receipts, or other such documents transferring or securing title covering readily marketable nonperishable staples when such property is fully covered by insurance, if it is customary to insure such staples, shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus when the market value of such staples securing such obligation is not at any time less than 115 per centum of the face amount of such obligation, and to an additional increase of limitation of 5 per centum of such capital and surplus in addition to such 25 per centum of such capital and surplus when the market value of such staples securing such additional obligation is not at any time less than 120 per centum of the face amount of such additional obligation, and to a further additional increase of limitation of 5 per centum of such capital and surplus in addition to such 30 per centum of such capital and surplus when the market value of such staples securing such additional obligation is not at any time less than 125 per centum of the face amount of such additional obligation, and to a further additional increase of limitation of 5 per centum of such capital and surplus in addition to such 35 per centum of such capital and surplus when the market value of such staples securing such additional obligation is not at any time less than 130 per centum of the face amount of such additional obligation, and to a further additional increase of limitation of 5 per centum of such capital and surplus in addition to such 40 per centum of such capital and surplus when the market value of such staples securing such additional obligation is not at any time less than 135 per centum of the face amount of such additional obligation, and to a further additional increase of limitation of 5 per centum of such capital and surplus in addition to such 45 per centum of such capital and surplus when the market value of such staples securing such additional obligation is not at any time less than 140 per centum of the face amount of such additional obligation, but this exception shall not apply to obligations of any one person, copartnership, association, or corporation arising from the same transactions and/or secured upon the identical staples for more than ten months.

(7) Obligations of any person, copartnership, association, or corporation in the form of notes or drafts secured by shipping documents or instruments transferring or securing title covering livestock or giving a lien on livestock when the market value of the livestock securing the obligation is not at any time less than 115 per centum of the face amount of the notes covered by such documents shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.

(8) Obligations of any person, copartnership, association, or corporation in the form of notes secured by not less than a like amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, treasury bills of the

United States, or obligations fully guaranteed both as to principal and interest by the United States, shall (except to the extent permitted by rules and regulations prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury) be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.

(9) Obligations representing loans to any national banking association or to any banking institution organized under the laws of any State, or to any receiver, conservator, or superintendent of banks, or to any other agent, in charge of the business and property of any such association or banking institution, when such loans are approved by the Comptroller of the Currency, shall not be subject under this section to any limitation based upon such capital and surplus.

(10) Obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that such obligations are secured or covered by guaranties, or by commitments or agreements to take over or to purchase made by any Federal Reserve bank or by the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States: *Provided*, That such guaranties, agreements, or commitments are unconditional and must be performed by payment of cash or its equivalent within sixty days after demand. The Comptroller of the Currency is authorized to define the terms herein used if and when he may deem it necessary.

(11) Obligations of a local public agency (as defined in section 110 (h) of the Housing Act of 1949) or of a public housing agency (as defined in the United States Housing Act of 1937, as amended) which have a maturity of not more than eighteen months shall not be subject under this section to any limitation, if such obligations are secured by an agreement between the obligor agency and the Housing and Home Finance Administrator or the Public Housing Administration in which the agency agrees to borrow from the Administrator or Administration, and the Administrator or Administration agrees to lend to the agency, prior to the maturity of such obligations, monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity, which monies under the terms of said agreement are required to be used for that purpose.

(12) *Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the Act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.*





Calendar No. 2242

85TH CONGRESS
2D SESSION

S. 3333

[Report No. 2192]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1958

Mr. ELLENDER (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

AUGUST 5, 1958

Reported by Mr. ELLENDER, without amendment

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 *That, title I of the Bankhead-Jones Farm Tenant Act, as*
4 *amended (7 U. S. C. 1000 and the following), is further*
5 *amended as follows:*

6 (a) The following new section 18 is added:

7 “SEC. 18. (a) The Secretary of Agriculture is author-
8 ized:

9 “(1) To make loans complying with the requirements

1 of title I of this Act for the purpose of insuring and selling
2 such loans to lenders other than the United States. Any
3 security instrument taken in connection with such loan shall
4 create a lien running to the United States, notwithstanding
5 the fact that the note may be held by such lender or his
6 assignee;

7 “(2) To insure and make commitments to insure such
8 loans, which, when endorsed for insurance, shall be covered
9 by the insurance provisions of this title;

10 “(3) To sell such loans at an annual charge, at a rate
11 to be determined by the Secretary, of not less than 1 per
12 centum of the unpaid principal obligation from time to time
13 outstanding on the loan, such charge to be retained by the
14 Secretary out of interest payments made by the borrower:
15 *Provided*, That the total of the rate of such charge plus
16 the rate of return to the holder of the note shall not exceed
17 the interest rate specified in the note. Out of the charges
18 so collected an amount not in excess of one-half of 1 per
19 centum of such unpaid principal obligations shall be deposited
20 in and become a part of the fund. The remainder of such
21 charges collected shall be deposited in the Treasury to
22 the credit of the Secretary and may be transferred annu-
23 ally to the administrative expense account of the Farmers
24 Home Administration and become merged therewith. Each
25 such loan shall be sold at the full amount of the unpaid bal-

1 ance thereof at the time of sale, but no loan shall be sold
2 if such balance exceeds 90 per centum of the amount certified
3 by the county committee to be the value of the farm, less
4 any prior lien indebtedness at the time the loan was made
5 or upon a determination of such fact by the Secretary at
6 the time of sale;

7 “(4) To make loans out of moneys in the fund for the
8 purpose of insuring and selling the same under this section:
9 *Provided, however,* That no loan made under this item (4)
10 shall be in excess of 90 per centum of the amount certified
11 by the county committee to be the value of the farm less any
12 prior lien indebtedness: *And provided further,* That no loan
13 shall be made under this item (4) unless the Secretary has
14 reasonable assurance that it can be sold without undue delay.
15 The Secretary may, at his discretion, utilize the provisions
16 of subsections 13 (b) and 13 (c) of this title to borrow from
17 the Secretary of the Treasury an additional sum not in excess
18 of \$5,000,000 for deposit in the fund for this purpose and
19 said subsections are hereby extended to cover such borrow-
20 ings for the purpose of making loans under this item (4) and
21 under item (4) of subsection 11 (a) of the Act of August
22 28, 1937, as amended (relating to the conservation of water
23 resources). The amount of the principal obligations on loans
24 made under this item (4) and not disposed of under this sec-
25 tion, plus the amount of the principal obligations on loans

1 made out of moneys in the fund under said item (4) of sub-
2 section 11 (a) of the Act of August 28, 1937, as amended,
3 and not disposed of under such section 11, shall not exceed
4 the aggregate sum of \$5,000,000 at any one time.

5 “(b) The interest rate shall be as provided in section
6 3 (b) (2) of this title and the borrower shall not be re-
7 quired to pay any additional charges for insurance of the
8 loan, but the Secretary may require the payment of such
9 appraisal and delinquency charges as he deems proper.

10 “(c) The amount of the principal obligations on loans
11 made under item (a) (4) of this section shall be included
12 in computing the aggregate amount of the principal obliga-
13 tions which may be insured in any one fiscal year, as pro-
14 vided in section 12 (b) of this title, at the time such loans
15 are made. The amount of the principal obligations on any
16 other loans made by the Secretary and insured under this
17 section shall not be included in computing said aggregate
18 amount.

19 “(d) Loans made from funds advanced by lenders other
20 than the United States may be insured by the Secretary upon
21 terms and conditions consistent with the provisions of this
22 section. Loans made or insured under this section shall be
23 subject to all the provisions of this title except as otherwise
24 provided in this section.

25 “(e) Any loan heretofore or hereafter made or insured

1 under this title may be converted to an insured loan under
2 this section at the discretion of the Secretary, and any ex-
3 penses in connection with such conversion may be paid out
4 of funds available for administrative expenses.

5 “(f) The Secretary is further authorized to sell any
6 loan heretofore or hereafter made or insured under this title
7 without insurance thereof upon the written consent of the
8 borrower, or without such consent when the borrower has
9 failed to comply with his agreement to refinance the indebted-
10 ness at the request of the Secretary. Such loan shall be
11 sold at the full amount of the unpaid balance thereof, and
12 upon such sale the Secretary is authorized to assign the
13 security instrument and evidence of debt in such manner
14 that the United States shall have no further right or obliga-
15 tion with respect to the loan.”

16 (b) The third sentence of section 13 (b) is amended
17 to read:

18 “Such notes shall have such maturities as the Secretary
19 may determine with the approval of the Secretary of the
20 Treasury, and shall bear interest at a rate fixed by the
21 Secretary of the Treasury, taking into consideration the
22 current average market yields of outstanding marketable
23 obligations of the United States having maturities comparable
24 to the loans made or insured by the Secretary.”

1 (c) Section 15 (a) is amended to add the following
2 sentence:

3 “Section 5200 of the Revised Statutes (12 U. S. C. 84)
4 is hereby amended to add a new paragraph bearing the next
5 number after that of the last paragraph of the present
6 section 5200 of the Revised Statutes and reading as follows:
7 ‘Obligations insured by the Secretary of Agriculture pursuant
8 to the Bankhead-Jones Farm Tenant Act, as amended, or
9 the Act of August 28, 1937, as amended (relating to the
10 conservation of water resources), shall be subject under this
11 section to a limitation of 15 per centum of such capital and
12 surplus in addition to such 10 per centum of such capital
13 and surplus.’”

14 SEC. 2. The Act entitled “An Act to promote conserva-
15 tion in the arid and semiarid areas of the United States by
16 aiding in the development of facilities for water storage and
17 utilization, and for other purposes”, approved August 28,
18 1937, as amended (16 U. S. C. 590r-590x-3), is further
19 amended by inserting at the end of said Act the following
20 new section:

21 “SEC. 11. (a) The Secretary of Agriculture is au-
22 thorized:

23 “(1) To make loans complying with the requirements
24 of this Act for the purpose of insuring and selling such loans
25 to lenders other than the United States. Any security in-

1 strument taken in connection with such loan shall create a
2 lien running to the United States, notwithstanding the fact
3 that the note may be held by such lender or his assignee;

4 “(2) To insure and make commitments to insure such
5 loans, which, when endorsed for insurance, shall be covered
6 by the insurance provisions of this Act;

7 “(3) To sell such loans at an annual charge, at a rate
8 to be determined by the Secretary, of not less than 1 per
9 centum of the unpaid principal obligation from time to time
10 outstanding on the loan, such charge to be retained by the
11 Secretary out of interest payments made by the borrower:

12 *Provided*, That the total of the rate of such charge plus the
13 rate of return to the holder of the note shall not exceed the
14 interest rate specified in the note. Out of the charges so
15 collected an amount not in excess of one-half of 1 per centum
16 of such unpaid principal obligations shall be deposited in and
17 become a part of the fund. The remainder of such charges
18 collected shall be deposited in the Treasury to the credit
19 of the Secretary and may be transferred annually to the
20 administrative expense account of the Farmers' Home Ad-
21 ministration and become merged therewith. Each such loan
22 shall be sold at the full amount of the unpaid balance thereof
23 at the time of sale, but no loan, except loans to associations
24 (including corporations not operated for profit and public
25 or quasi-public agencies), shall be sold if such balance ex-

1 ceeds 90 per centum of the value of the security less any
2 prior lien indebtedness at the time the loan was made or
3 upon a determination of such fact by the Secretary at the
4 time of sale;

5 “(4) To make loans out of moneys in the fund, includ-
6 ing funds borrowed from the Secretary of the Treasury
7 under item (4) of subsection 18 (a) of the Bankhead-
8 Jones Farm Tenant Act, as amended, within the aggre-
9 gate limits therein provided, for the purpose of insuring
10 and selling such loans under this section: *Provided, however,*
11 That no loan made under this item (4) shall be in excess
12 of 90 per centum of the value of the security less any prior
13 lien indebtedness, but such limitation shall not apply to loans
14 to associations, including corporations not operated for profit
15 and public or quasi-public agencies: *And provided further,*
16 That no loan shall be made under this item (4) unless the
17 Secretary has reasonable assurance that it can be sold with-
18 out undue delay.

19 “(b) The borrower shall not be required to pay any
20 additional charges for insurance of the loan, but the Secre-
21 tary may require the payment of such appraisal and delin-
22 quency charges as he deems proper. The proceeds of such
23 appraisal or delinquency charges shall be deposited in the
24 Treasury for use for administrative expense as provided in
25 item (a) (3) of this section.

1 “(c) The amount of the principal obligations on loans
2 made under item (a) (4) of this section shall be included
3 in computing the aggregate amount of the principal obliga-
4 tions which may be insured in any one fiscal year, as pro-
5 vided in section 10 (e) of this Act, at the time such loans
6 are made. The amount of the principal obligations on any
7 other loans made by the Secretary and insured under this
8 section shall not be included in computing said aggregate
9 amount.

10 “(d) Loans made from funds advanced by lenders
11 other than the United States may be insured by the Secretary
12 upon terms and conditions consistent with the provisions of
13 this section, but no such loan, except loans to associations
14 (including corporations not operated for profit and public
15 or quasi-public agencies), shall be in excess of 90 per centum
16 of the value of the security less any prior lien indebtedness.
17 Loans made or insured under this section shall be subject to
18 all the provisions of this Act except as otherwise provided in
19 this section.

20 “(e) Any loan heretofore or hereafter made or insured
21 under this Act may be converted to an insured loan under
22 this section at the discretion of the Secretary, and any ex-
23 penses in connection with such conversion may be paid out
24 of funds available for administrative expenses.

25 “(f) The Secretary is further authorized to sell any

1 loan heretofore or hereafter made or insured under this Act
2 without insurance thereof upon the written consent of the
3 borrower, or without such consent when the borrower has
4 failed to comply with his agreement to refinance the indebted-
5 ness at the request of the Secretary. Such loan shall be
6 sold at the full amount of the unpaid balance thereof, and
7 upon such sale the Secretary is authorized to assign the
8 security instrument and evidence of debt in such manner that
9 the United States shall have no further right or obligation
10 with respect to the loan."

85TH CONGRESS
2d SESSION

S. 3333

[Report No. 2192]

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

By Mr. ELLENDER

FEBRUARY 24, 1958

Read twice and referred to the Committee on Agriculture and Forestry

AUGUST 5, 1958

Reported without amendment

INSURED FARM LOANS

AUGUST 5, 1958.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H. R. 10965]

The Committee on Agriculture to whom was referred the bill (H. R. 10965) to facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

Page 5, line 11, strike the period after the word "borrower" and add the following:

or without such consent after acceleration of the indebtedness because of the borrower's failure to pay or breach of other covenants in the mortgage and notice to the borrower of the Government's intention to foreclose the security.

Page 10, line 6, strike the period after the word "borrower" and add the following:

or without such consent after acceleration of the indebtedness because of the borrower's failure to pay or breach of other covenants in the mortgage and notice to the borrower of the Government's intention to foreclose the security.

PURPOSE

The purpose of this bill is to amend the Bankhead-Jones Farm Tenant Act and the act of August 28, 1937, commonly known as the Water Facilities Act, so as to facilitate the making and insuring of loans by the Secretary of Agriculture for the acquisition, enlargement, or improvement of farms and the conservation of soil and water resources thereon, to make such loans more attractive to investors, to make the program self-supporting to a greater degree, to facilitate

the refinancing of such loans on an uninsured basis with the borrower's consent, and to make such insured loans eligible for investment for certain banks.

NEED FOR THE LEGISLATION

Fluctuation in the investment market during the past several years has during certain periods limited the availability of private funds for participation in these programs. There is a need for softening the effect of a higher money market on these relatively low-interest-rate loans. Authority is needed under which loans may be made in anticipation of sale to private investors in larger blocks immediately when such investment funds become available. It has not been possible to secure commitments of private funds in substantial amounts over extended periods during which loans aggregating the amount of the commitments are being processed and assembled for closing. In periods when ample private funds are available, it will be possible to assign to private investors loans previously accumulated by the Secretary, at a net return to the investor of somewhat less than the full cost of the loans, including insurance charges, paid by the borrowers. In that event, a greater portion of the difference between the net return to the investors and the cost to the borrowers can be diverted toward the payment of the cost of servicing these loans. Under existing law, some national banks are unable to invest in these loans because of the ceiling on loans of 10 percent of the bank's capital and surplus. These loans should be excepted from that limitation as are some other fully guaranteed investments.

COST

The Department of Agriculture estimates that this legislation will not add to the cost of the program beyond the additional borrowing authorization for a \$5 million revolving fund, to be financed by the Treasury out of the sale of obligations pursuant to the Second Liberty Loan Act. On the contrary, over a period of years operations under the bill should reduce to a considerable extent the overhead administrative costs of the insured-loan programs and reduce the direct loan obligations held by the United States.

COMMITTEE AMENDMENTS

The committee amendments were recommended by the Department of Agriculture in its favorable report on the bill. Their purpose is to avoid conflict with existing law.

DEPARTMENTAL APPROVAL

Enactment of this legislation, as amended, was recommended by the Department of Agriculture in executive communications to the Speaker of the House of Representatives, dated February 11, 1958, and to the chairman of the committee on April 24, 1958.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., February 11, 1958.

The honorable the SPEAKER OF THE HOUSE,
House of Representatives.

DEAR MR. SPEAKER: There is submitted herewith for consideration by the Congress a draft of a bill which would amend title I of the Bankhead-Jones Farm Tenant Act, as amended (7 U. S. C. 1,000 et seq.), and the Act of August 28, 1937, as amended (16 U. S. C. 590r-590x-3), to facilitate the insurance of farm ownership and soil and water conservation loans.

Farm ownership loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and soil and water conservation loans under the act of August 28, 1937, as amended, are of two types, (1) direct loans made from funds borrowed from the Secretary of the Treasury and (2) loans made from funds advanced by private lenders and insured by the Government. It is the policy of the Department to make insured loans whenever the applicant can qualify and funds from private lenders are available. The proposed legislation will facilitate the insurance of loans by authorizing the conversion of direct loans to insured loans, by authorizing the making of loans to be sold in blocks to interested private lenders, and by providing flexibility, within limits, in determining the portion of the interest charges to be retained by the Government as compensation for the insurance of the loan and to cover administrative expenses. In addition, the amendments are designed to assist in graduating borrowers to other sources of credit by facilitating the transfer of indebtedness to private lenders with the consent of the borrowers.

Under the proposed amendments, loans otherwise eligible for insurance under title I, but made from direct Government funds because funds from private sources are not available, could be converted to insured loans whenever funds from private sources become available. This would result in reducing the direct-loan indebtedness to the Secretary of the Treasury and, in turn, act to reduce the public debt.

We recommend that these amendments be enacted.

Section 1 (a) of the proposed bill would add a new section 18 to Title I of the Bankhead-Jones Farm Tenant Act, as amended, containing the following provisions:

(1) Authorizes the making of direct loans which could be converted to insured loans and sold to private lenders provided the outstanding obligation of the loan at the time of sale does not exceed 90 percent of the value of the farm less any prior lien indebtedness. Security for the loan would be taken in the name of the Government notwithstanding the fact that the note later may be held by a private lender or his assignee.

(2) Authorizes the sale of direct loans to private lenders on an insured basis at the full amount of the unpaid balance plus an annual charge of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan. This charge would be retained out of interest payments made by the borrower. One half of the receipts from minimum charges of 1 percent would be deposited in the farm tenant-mortgage insurance fund. The other one-half would be available for administrative expenses. Receipts from all charges over and above 1 percent would be available for administrative expenses.

The use of this provision would make it possible to secure a greater share of the interest payments made by the borrower for use of the Government in circumstances where private lenders could be found who would advance funds for the loan at an interest rate of more than 1 percent below the rate paid by the borrower. It seems that in future years circumstances would arise in which insured loans which were held by the insurance fund could be disposed of to private lenders at an interest rate permitting the Government to retain more than 1 percent of the total interest rate called for in the note.

(3) Experience with the insured-loan programs of the Farmers' Home Administration indicates that many lenders are reluctant to advance funds for individual loans, but are willing to accept a block of loans aggregating a substantial amount. To assist in overcoming this difficulty, the proposed bill authorizes borrowing, through the farm tenant-mortgage insurance fund, not in excess of \$5 million for the purposes of making loans under title I of the Bankhead-Jones Farm Tenant Act and the act of August 28, 1937, to be insured and sold to private lenders in blocks. This authority could not be used unless there was reasonable assurance that the loans could be sold without undue delay.

(4) Authorizes converting any direct loan or any insured loan to an insured loan within the provisions of the proposed section 18.

(5) The Bankhead-Jones Farm Tenant Act presently provides that a borrower shall refinance his loan whenever he may be able to obtain a loan from another source at the rate prevailing in the area but not in excess of the rate of 5 percent. One of the difficulties in securing full compliance with this provision has been the necessity for the borrower to liquidate his present loan and incur title clearance and other expenses in connection with a new loan. The proposed bill would authorize the sale of any Government held title I direct or insured loan with the consent of the borrower, or without his consent if the borrower fails to comply with his agreement to refinance his indebtedness when he is able to do so.

Section 13 (b) of title I of the Bankhead-Jones Farm Tenant Act presently provides that funds borrowed from the Secretary of the Treasury for use of the farm tenant-mortgage insurance fund shall bear interest at a rate equal to the average rate of interest on outstanding interest bearing marketable public debt obligations of the United States. Section 1 (b) of the proposed bill would amend this section to give the Secretary of the Treasury discretionary authority to set the rate but providing that he take into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary of Agriculture.

Section 1 (c) of the proposed bill would amend section 15 (a) to make it easier for small banks to participate in the insured-loan programs. Many of the national banks are unable to make the average loan under title I of the Bankhead-Jones Farm Tenant Act and some of the larger loans under the act of August 28, 1937, because of the provision in the National Bank Act limiting the amount of indebtedness of any one individual to 10 percent of the bank's capital and surplus. The proposed bill would amend the National Bank Act to lift this limitation to the equivalent of 25 percent of the bank's capital and surplus with respect to these two types of insured loans.

Section 2 of the proposed bill would add a new section 11 to the act of August 28, 1937, providing similar authority for loans made under that act as contained in the proposed new section 18 of title I of the Bankhead-Jones Farm Tenant Act, as amended. One additional change would limit loans made to individuals and insured under the proposed new section 11 to 90 percent of the value of the security taken in connection with the loan less any prior lien indebtedness. There is no restriction in the present act with respect to the amount of the loan as related to the value of the security. Loans to associations, including corporations not operated for profit and public and quasi-public agencies, would not be subject to this limitation.

Aside from the proposed borrowing authority for the fund out of which insurable loans would be initially made, the proposed amendments would involve no additional expenditures and should, over a period of several years, reduce to a considerable extent the overhead administrative costs of the insured-loan programs. Also, as indicated above, the conversion of direct loans to insured loans would reduce the direct loan indebtedness.

The Bureau of the Budget advises that enactment of this proposed legislation would be in accord with the program of the President.

Sincerely yours,

E. T. BENSON, *Secretary.*

DEPARTMENT OF AGRICULTURE,
Washington, D. C., April 24, 1958.

Hon. HAROLD D. COOLEY,
House of Representatives.

DEAR CONGRESSMAN COOLEY: This will reply to your request of February 26 for a report on H. R. 10965, a bill to facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

The Department recommends favorable action on H. R. 10965.

This bill is essentially the same as the proposed bill which this Department submitted with an explanatory letter to the Honorable Sam Rayburn, Speaker of the House of Representatives, on February 11, 1958. The difference between H. R. 10965 and the proposed bill submitted by this Department is with respect to the sale of loans to private investors on a noninsured basis without the consent of the borrowers when such borrowers can qualify for loans from other sources. The bill submitted by this Department provides for the sale of certain loans without the consent of the borrower; whereas, H. R. 10965 does not include this provision.

The security instruments for loans under title I of the Bankhead-Jones Farm Tenant Act and the act of August 28, 1937, require that borrowers refinance their loans with private or cooperative lenders when they qualify for loans from such sources. In some instance, borrowers who are eligible for refinancing may refuse to apply for or accept a refinancing loan from a private or cooperative source. The proposal to sell loans of such borrowers without their consent was designed to facilitate the enforcement of this refinancing require-

ment; as well as to make possible the liquidation of the Government's interest and insurance liability without the cost and delay of foreclosure, in cases where other creditors are willing to hold the balance of the indebtedness without insurance. As a substitute for the language originally submitted by this Department, consideration might be given to adding to the first sentence of subsection (f), page 5, line 11, and the first sentence of subsection (f), page 10, line 6, the following: "or without such consent after acceleration of the indebtedness because of the borrower's failure to pay or breach of other covenants in the mortgage and notice to the borrower of the Government's intention to foreclose the security."

Aside from the proposed borrowing authority for the mortgage insurance fund out of which insurable loans could initially be made, the proposed amendments would involve no additional expenditures and should over a period of several years reduce to a considerable extent the overhead administrative cost of the insured loan programs. Also, the conversion of direct loans to insured loans would reduce the direct loan indebtedness.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE,
Acting Secretary.

PROPOSED AMENDMENTS TO THE BANKHEAD-JONES FARM TENANT ACT
(7 U S. C. 1001 ET SEQ.)

Subsection 1 (a) of the bill would add a proposed new section 18 to title I of the Bankhead-Jones Farm Tenant Act, as amended. The proposed new section 18 contains the following provisions:

Item 18 (a) (1) would authorize the Secretary of Agriculture to make direct title I loans with the intention of selling the loans to private lenders and insuring them at the time of sale. Such loans could be made up to 100 percent of the value of the farm, but before the loan could be insured and sold to a private lender, the unpaid balance must be reduced to 90 percent or less of the certified value of the farm less the amount of any prior lien (as provided in the last sentence of item 18 (a) (3)). It is contemplated that the security instrument will directly secure the loan while in the hands of the Government and when the loan is sold and insured the security instrument will become an indemnity-type mortgage which will still run to the United States notwithstanding the fact that the promissory note is endorsed over to the lender.

Item 18 (a) (2) contemplates that when such a loan is sold the Government will endorse the promissory note for insurance. When so endorsed, the note will be fully insured by the United States as to principal and interest and all of the insurance provisions of title I will become applicable, including, for example, the provision that the validity of the endorsement is incontestable in the hands of the lender except for fraud or misrepresentation of which the lender has actual knowledge.

Item 18 (a) (3) provides that the loan will be sold at the full amount of the unpaid balance at the time of sale, plus an annual

charge of not less than 1 percent of the outstanding balance from time to time remaining unpaid. The Secretary will be the collection agent and this charge would be retained by him out of interest payments made by the borrower. The total of the annual charge plus the rate of return to the lender would equal the interest rate specified in the note. One-half of the receipts from such annual charges would be deposited in the farm tenant-mortgage insurance fund. The other half would be available for administrative expenses of the Farmers' Home Administration. Receipts from all charges over and above 1 percent would likewise be available for administrative expenses. No loan would be eligible for sale unless the balance of the loan is 90 percent or less of the certified value of the farm, less the amount of any prior lien, at the time the loan was made, or 90 percent or less of the value of the farm less any prior lien as determined by the Farmers' Home Administration at the time of sale. Appraisal of the farm at the time of sale would not be required.

Item 18 (a) (4) would permit the use of moneys in the mortgage insurance fund for making direct loans with the intention of insuring and selling them to private lenders. Loans from moneys in the fund would be made in the same manner as loans referred to in item 18 (a) (1), with these differences: (1) The amount of the loan must not exceed 90 percent of the certified value of the farm less the amount of any prior lien at the time of making the loan, and (2) the Secretary must have reasonable assurance that the loan can be sold without undue delay. This provision authorizes the Secretary to borrow an additional sum of not to exceed \$5 million for deposit in the insurance fund to be used as a revolving fund for making title I loans authorized under this provision and for making soil and water conservation loans authorized under the proposed new section 11 (a) (4) to be added to the act of August 28, 1937, as amended, pursuant to section 2 of the bill. The aggregate principal obligations of the loans of both types made under the proposed new authorization and held in the insurance fund shall at no time exceed \$5 million. The funds wold be borrowed from the Treasury under section 13 (b) of title I in the same manner as funds are now borrowed to replenish the insurance fund.

Subsection 18 (b) provides that section 3 (b) (2) of title I, which governs the interest rate for direct title I loans, shall apply to loans made or insured under the proposed new section 18. Section 3 (b) (2) provides for a maximum interest rate of 5 percent. Subsection 18 (b) further provides that, aside from interest payments, the borrower shall not pay any initial or annual insurance charges, but the Secretary may assess appraisal fees as well as delinquency charges on account of the borrower's default.

Subsection 18 (c) provides that only loans made out of moneys in the insurance fund under item 18 (a) (4) shall be counted in computing the aggregate amount of loans which may be insured under the maximum insurance authority of \$125 million, as provided in section 12 (b) of title I. The loans would be counted at the time they are made. Loans made under item 18 (a) (1) and any other loans made by the Secretary and converted to insured loans under the proposed new section would not be charged against the \$125 million.

Subsection 18 (d) provides that the Secretary may insure loans made from funds advanced by other lenders in accordance with the

provisions of the proposed new section 18. For example, the promissory note would run to the private lender in the first instance and provision would be made for the Secretary to retain not less than 1 percent out of interest payments made by the borrower. As used in the bill, the term "lenders other than the United States" refers to private lenders such as banks, insurance companies and like financial institutions, as well as to the public and quasi-public corporations or agencies, including the United States as trustee of the assets of a State railroad corporation under an agreement pursuant to section 2 (f) of the State Railroad Corporation Trust Liquidation Act (40 U. S. C. 440 (f)). Subsection 18 (d) further provides that all of the provisions of title I shall apply to loans made or insured under the proposed new section 18 except as otherwise provided in the new section.

Subsection 18 (e) provides that any loan made or insured under title I, whether under prior authority or subsequent to the enactment of the bill, may be converted by the Secretary to a loan insured under the proposed new authorization. This would apply to loans held by the insurance fund as well as to those in the hands of lenders. The costs of such conversion may be paid by the Secretary out of administrative expenses. Such conversion would require new or supplemental agreements and security instruments and probably a continuation search of the title to the farm.

Subsection 18 (f) would authorize the Secretary to sell any Government-held title I direct or insured loan on a noninsured basis, provided the written consent of the borrower is obtained. This would permit the Secretary to graduate borrowers to private credit without requiring the borrower to obtain a new loan and incur expenses of title clearance and other costs incident to refinancing. The loans would be sold at the full amount of the unpaid balance and the security instrument as well as the promissory note would be assigned outright to the purchaser. This would require an agreement between the Government and the purchaser nullifying the Government's rights and obligations under the note and security instrument.

Subsection 1 (b) of the bill would amend section 13 (b) of title I which presently provides that the notes issued to the Treasury for funds borrowed to replenish the insurance fund shall bear interest at a rate equal to the average rate of interest borne by interest-bearing public debt obligations of the United States and that the notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury. The proposed amendment would give the Secretary of the Treasury discretionary authority to fix the rate of interest for such notes, but provide that he shall take into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Farmers' Home Administration. There is no change in the provision for fixing the maturities of the notes issued to the Treasury.

PROPOSED AMENDMENTS TO THE NATIONAL BANKING ACT, AS AMENDED
(12 U. S. C. 84)

Subsection 1 (c) of the bill would amend section 15 (a) of title I so as to relax the limitation in section 5200 of the Revised Statutes

(12 U. S. C. 84) which restricts the amount a national bank may loan to any one person, partnership, association, or corporation to 10 percent of the bank's capital and surplus. The proposed amendment would except insured title I loans and soil and water conservation loans insured under the act of August 28, 1937, as amended, from this restriction by changing the limitation from 10 percent to 25 percent of the bank's capital and surplus.

PROPOSED AMENDMENTS TO THE ACT OF AUGUST 28, 1937
(16 U. S. C. 590 r-x)

Section 2 of the bill would add a new section 11 to the act of August 28, 1937, as amended, commonly called the Water Facilities Act. The provisions of the proposed new section 11 are almost identical to those of the proposed new section 18 discussed above and would provide substantially the same authorizations with respect to soil and water conservation loans under the Water Facilities Act as would section 18 with respect to loans under title I of the Bankhead-Jones Farm Tenant Act. The foregoing comments with respect to each item and subsection of section 18 will apply to section 11, except that the latter makes applicable the loan requirements and insurance provisions of the Water Facilities Act rather than those of title I. There are other minor differences between sections 18 and 11 as follows:

1. Both sections provide that before any loan made out of appropriated funds is insured and sold, or before any loan is made out of moneys in the insurance fund, the unpaid amount of the loan shall not exceed 90 percent of the value of the security property less the amount of any prior lien. However, section 18 relates the 90 percent limitation to the value of the "farm," whereas section 11 relates it to the "security" which may consist of real estate or chattels or both. Section 11 provides that when the borrower is an association, including a corporation not operated for profit and a public or quasi-public agency, the 90 percent limitation shall not apply.

2. Subsection 18 (b) provides that the interest rate shall be as provided in section 3 (b) (2) of title I, but subsection 11 (b) makes no reference to interest rate because the Water Facilities Act presently authorizes the Secretary to make or insure loans upon such terms as he may prescribe.

3. Subsection 11 (b) provides that the proceeds of appraisal fees and delinquency charges shall be deposited in the Treasury for use for administrative expenses. This provision is not included in subsection 18 (b) because section 12 (d) of title I presently so provides.

4. Subsection 18 (c) refers to the \$125 million insurance authority governing title I loans, whereas subsection 11 (c) refers to the \$25 million insurance authority governing soil and water conservation loans. These provisions are otherwise identical.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

BANKHEAD-JONES FARM TENANT ACT

TITLE I—TENANT PURCHASE LOANS AND MORTGAGE
INSURANCE

SEC. 13. (a)

* * * * *

(b) If there should not be sufficient cash in the fund to enable the Secretary to make payments to mortgagees as provided in subsection (a) of this section, the Secretary may make any issue notes to the Secretary of the Treasury to obtain funds to make such payments. Such notes shall be signed by the Secretary or his duly authorized representatives and shall be negotiable. [Such notes shall bear interest, payable immediately annually at a rate equal to the average rate of interest computed to the end of the calendar month next preceding the date of issue, borne by all interest bearing obligations of the United States then forming a part of the public debt, and shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury.] Such notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury, and shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary.

* * * * *

SEC. 14.

* * * * *

SEC. 15. (a) The first paragraph of Section 24 of Chapter 6 of the Federal Reserve Act, as amended (U. S. C. 1940 ed., Title 12, Sec. 371), relating to loans on farmlands by member bank is hereby amended by inserting after the words "National Housing Act" the following: "or which are insured by the Secretary of Agriculture pursuant to Title I of the Bankhead-Jones Farm Tenant Act." Section 5200 of the Revised Statutes (12 U. S. C. 84) is hereby amended to add a new paragraph bearing the next number after the last paragraph of the present Section 5200 of the Revised Statutes and reading as follows: "Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the Act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such capital and surplus."

SEC. 16.

* * * * *

SEC. 17.

* * * * *

SEC. 18. (a) The Secretary of Agriculture is authorized:

(1) To make loans complying with the requirements of title I of this Act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to

the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this title;

(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 percentum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: Provided, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 percentum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers' Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan shall be sold if such balance exceeds 90 percentum of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

(4) To make loans out of moneys in the fund for the purpose of insuring and selling the same under this section: Provided, however, That no loan made under this item (4) shall be in excess of 90 percentum of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness: And provided further, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay. The Secretary may, at his discretion, utilize the provisions of subsections 13 (b) and 13 (c) of this title to borrow from the Secretary of the Treasury an additional sum not in excess of \$5,000,000 for deposit in the fund for this purpose and said subsections are hereby extended to cover such borrowings for the purpose of making loans under this item (4) and under item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended (relating to the conservation of water resources). The amount of the principal obligations on loans made under this item (4) and not disposed of under this section, plus the amount of the principal obligations on loans made out of moneys in the fund under said item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended, and not disposed of under such section 11, shall not exceed the aggregate sum of \$5,000,000 at any one time.

(b) The interest rate shall be as provided in section 3 (b) (2) of this title and the borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper.

(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the ag-

gregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 12 (b) of this title, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section. Loans made or insured under this section shall be subject to all the provisions of this title except as otherwise provided in this section.

(e) Any loan heretofore or hereafter made or insured under this title may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this title without insurance thereof upon the written consent of the borrower. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan.

THE ACT OF AUGUST 28, 1937

[relating to conservation of water resources]

SEC. 10.

* * * * *

SEC. 11. (a) The Secretary of Agriculture is authorized:

(1) To make loans complying with the requirements of this Act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this Act;

(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 percentum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: Provided, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 percentum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers' Home administration and become merged therewith. Each such

loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be sold if such balance exceeds 90 per centum of the value of the security less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

(4) To make loans out of moneys in the Fund, including funds borrowed from the Secretary of the Treasury under item (4) of subsection 18 (a) of the Bankhead-Jones Farm Tenant Act, as amended, within the aggregate limits therein provided, for the purpose of insuring and selling such loans under this section: Provided, however, That no loan made under this item (4) shall be in excess of 90 per centum of the value of the security less any prior lien indebtedness, but such limitation shall not apply to loans to associations, including corporations not operated for profit and public or quasi-public agencies: And provided further, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay.

(b) The borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges shall be deposited in the Treasury for use for administrative expense as provided in item (a) (3) of this section.

(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 10 (e) of this Act, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section, but no such loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be in excess of 90 percentum of the value of the security less any prior lien indebtedness. Loans made or insured under this section shall be subject to all the provisions of this Act except as otherwise provided in this section.

(e) Any loan heretofore or hereafter made or insured under this Act may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this Act without insurance thereof upon the written consent of the borrower. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan.

Union Calendar No. 1003

85TH CONGRESS
2D SESSION

H. R. 10965

[Report No. 2447]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1958

Mr. HILL introduced the following bill; which was referred to the Committee on Agriculture

AUGUST 5, 1958

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Insert the part printed in italic]

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That title I of the Bankhead-Jones Farm Tenant Act, as
4 amended (7 U. S. C. 1000 et seq.), is further amended
5 as follows:

6 (a) The following new section 18 is added:

7 “SEC. 18. (a) The Secretary of Agriculture is au-
8 thorized:

9 “(1) To make loans complying with the requirements

1 of title I of this Act for the purpose of insuring and selling
2 such loans to lenders other than the United States. Any
3 security instrument taken in connection with such loan shall
4 create a lien running to the United States, notwithstanding
5 the fact that the note may be held by such lender or his
6 assignee;

7 “(2) To insure and make commitments to insure such
8 loans, which, when endorsed for insurance, shall be covered
9 by the insurance provisions of this title;

10 “(3) To sell such loans at an annual charge, at a rate
11 to be determined by the Secretary, of not less than 1 per
12 centum of the unpaid principal obligation from time to time
13 outstanding on the loan, such charge to be retained by the
14 Secretary out of interest payments made by the borrower:

15 *Provided*, That the total of the rate of such charge plus
16 the rate of return to the holder of the note shall not exceed
17 the interest rate specified in the note. Out of the charges
18 so collected an amount not in excess of one-half of 1 per
19 centum of such unpaid principal obligations shall be deposited
20 in and become a part of the fund. The remainder of such
21 charges collected shall be deposited in the Treasury to the
22 credit of the Secretary and may be transferred annually to
23 the administrative expense account of the Farmers' Home
24 Administration and become merged therewith. Each such
25 loan shall be sold at the full amount of the unpaid balance

1 thereof at the time of sale, but no loan shall be sold if such
2 balance exceeds 90 per centum of the amount certified by
3 the county committee to be the value of the farm less any
4 prior lien indebtedness at the time the loan was made or
5 upon a determination of such fact by the Secretary at the
6 time of sale;

7 “(4) To make loans out of moneys in the fund for the
8 purpose of insuring and selling the same under this section:
9 *Provided, however,* That no loan made under this item (4)
10 shall be in excess of 90 per centum of the amount certified
11 by the county committee to be the value of the farm less
12 any prior lien indebtedness: *And provided further,* That no
13 loan shall be made under this item (4) unless the Secretary
14 has reasonable assurance that it can be sold without undue
15 delay. The Secretary may, at his discretion, utilize the
16 provisions of subsections 13 (b) and 13 (c) of this title
17 to borrow from the Secretary of the Treasury an additional
18 sum not in excess of \$5,000,000 for deposit in the fund for
19 this purpose and said subsections are hereby extended to
20 cover such borrowings for the purpose of making loans
21 under this item (4) and under item (4) of subsection 11 (a)
22 of the Act of August 28, 1937, as amended (relating to
23 the conservation of water resources). The amount of
24 the principal obligations on loans made under this item
25 (4) and not disposed of under this section, plus the amount

1 of the principal obligations on loans made out of moneys in
2 the fund under said item (4) of subsection 11 (a) of the
3 Act of August 28, 1937, as amended, and not disposed of
4 under such section 11, shall not exceed the aggregate sum
5 of \$5,000,000 at any one time.

6 "(b) The interest rate shall be as provided in section
7 3 (b) (2) of this title and the borrower shall not be required
8 to pay any additional charges for insurance of the loan, but
9 the Secretary may require the payment of such appraisal
10 and delinquency charges as he deems proper.

11 "(c) The amount of the principal obligations on loans
12 made under item (a) (4) of this section shall be included
13 in computing the aggregate amount of the principal obliga-
14 tions which may be insured in any one fiscal year, as pro-
15 vided in section 12 (b) of this title, at the time such loans
16 are made. The amount of the principal obligations on any
17 other loans made by the Secretary and insured under this
18 section shall not be included in computing said aggregate
19 amount.

20 "(d) Loans made from funds advanced by lenders other
21 than the United States may be insured by the Secretary upon
22 terms and conditions consistent with the provisions of this
23 section. Loans made or insured under this section shall be
24 subject to all the provisions of this title except as otherwise
25 provided in this section.

1 “(e) Any loan heretofore or hereafter made or insured
2 under this title may be converted to an insured loan under
3 this section at the discretion of the Secretary, and any ex-
4 penses in connection with such conversion may be paid out
5 of funds available for administrative expenses.

6 “(f) The Secretary is further authorized to sell any
7 loan heretofore or hereafter made or insured under this title
8 without insurance thereof upon the written consent of the
9 borrower *or without such consent after acceleration of the*
10 *indebtedness because of the borrower's failure to pay or*
11 *breach of other covenants in the mortgage and notice to*
12 *the borrower of the Government's intention to foreclose the*
13 *security.* Such loan shall be sold at the full amount of the
14 unpaid balance thereof, and upon such sale the Secretary is
15 authorized to assign the security instrument and evidence of
16 debt in such manner that the United States shall have no
17 further right or obligation with respect to the loan.”

18 (b) The third sentence of section 13 (b) is amended
19 to read:

20 “Such notes shall have such maturities as the Secretary
21 may determine with the approval of the Secretary of the
22 Treasury, and shall bear interest at a rate fixed by the Sec-
23 retary of the Treasury, taking into consideration the current
24 average market yields of outstanding marketable obligations

1 of the United States having maturities comparable to the
2 loans made or insured by the Secretary.”

3 (c) Section 15 (a) is amended to add the following
4 sentence:

5 “Section 5200 of the Revised Statutes (12 U. S. C. 84)
6 is hereby amended to add a new paragraph bearing the next
7 number after that of the last paragraph of the present sec-
8 tion 5200 of the Revised Statutes and reading as follows:
9 ‘Obligations insured by the Secretary of Agriculture pursu-
10 ant to the Bankhead-Jones Farm Tenant Act, as amended,
11 or the Act of August 28, 1937, as amended (relating to
12 the conservation of water resources), shall be subject under
13 this section to a limitation of 15 per centum of such capital
14 and surplus in addition to such 10 per centum of such capital
15 and surplus.’”

16 SEC. 2. The Act entitled “An Act to promote conserva-
17 tion in the arid and semiarid areas of the United States by
18 aiding in the development of facilities for water storage
19 and utilization, and for other purposes”, approved August
20 28, 1937, as amended (16 U. S. C. 590r-590x-3), is
21 further amend by inserting at the end of said Act the
22 following new section:

23 “SEC. 11. (a) The Secretary to Agriculture is au-
24 thorized:

25 “(1) To make loans complying with the requirements

1 of this Act for the purpose of insuring and selling such loans
2 to lenders other than the United States. Any security in-
3 strument taken in connection with such loan shall create a
4 lien running to the United States, notwithstanding the fact
5 that the note may be held by such lender or his assignee; .

6 “(2) To insure and make commitments to insure such
7 loans, which, when endorsed for insurance, shall be covered
8 by the insurance provisions of this Act;

9 “(3) To sell such loans at an annual charge, at a rate
10 to be determined by the Secretary, of not less than 1 per
11 centum of the unpaid principal obligation from time to time
12 outstanding on the loan, such charge to be retained by the
13 Secretary out of interest payments made by the borrower:

14 *Provided*, That the total of the rate of such charge plus the
15 rate of return to the holder of the note shall not exceed the
16 interest rate specified in the note. Out of the charges so
17 collected an amount not in excess of one-half of 1 per centum
18 of such unpaid principal obligations shall be deposited in
19 and become a part of the fund. The remainder of such
20 charges collected shall be deposited in the Treasury to the
21 credit of the Secretary and may be transferred annually to
22 the administrative expense account of the Farmers Home
23 Administration and become merged therewith. Each such
24 loan shall be sold at the full amount of the unpaid balance
25 thereof at the time of sale, but no loan, except loans to

1 associations (including corporations not operated for profit
2 and public or quasi-public agencies), shall be sold if such
3 balance exceeds 90 per centum of the value of the security
4 less any prior lien indebtedness at the time the loan was
5 made or upon a determination of such fact by the Secretary
6 at the time of sale;

7 “(4) To make loans out of moneys in the Fund, includ-
8 ing funds borrowed from the Secretary of the Treasury under
9 item (4) of subsection 18 (a) of the Bankhead-Jones Farm
10 Tenant Act, as amended, within the aggregate limits there-
11 in provided, for the purpose of insuring and selling such
12 loans under this section: *Provided, however,* That no loan
13 made under this item (4) shall be in excess of 90 per centum
14 of the value of the security less any prior lien indebtedness,
15 but such limitation shall not apply to loans to associations, in-
16 cluding corporations not operated for profit and public or
17 quasi-public agencies: *And provided further,* That no loan
18 shall be made under this item (4) unless the Secretary has
19 reasonable assurance that it can be sold without undue delay.

20 “(b) The borrower shall not be required to pay any
21 additional charges for insurance of the loan, but the Secretary
22 may require the payment of such appraisal and delinquency
23 charges as he deems proper. The proceeds of such appraisal
24 or delinquency charges shall be deposited in the Treasury for

1 use for administrative expense as provided in item (a) (3)
2 of this section.

3 “(c) The amount of the principal obligations on loans
4 made under item (a) (4) of this section shall be included
5 in computing the aggregate amount of the principal obliga-
6 tions which may be insured in any one fiscal year, as pro-
7 vided in section 10 (e) of this Act, at the time such loans
8 are made. The amount of the principal obligations on any
9 other loans made by the Secretary and insured under this
10 section shall not be included in computing said aggregate
11 amount.

12 “(d) Loans made from funds advanced by lenders other
13 than the United States may be insured by the Secretary upon
14 terms and conditions consistent with the provisions of this
15 section, but no such loan, except loans to associations (in-
16 cluding corporations not operated for profit and public or
17 quasi-public agencies), shall be in excess of 90 per centum
18 of the value of the security less any prior lien indebtedness.
19 Loans made or insured under this section shall be subject
20 to all the provisions of this Act except as otherwise provided
21 in this section.

22 “(e) Any loan heretofore or hereafter made or insured
23 under this Act may be converted to an insured loan under
24 this section at the discretion of the Secretary, and any ex-

1 penses in connection with such conversion may be paid out
2 of funds available for administrative expenses.

3 “(f) The Secretary is further authorized to sell any
4 loan heretofore or hereafter made or insured under this Act
5 without insurance thereof upon the written consent of the
6 borrower *or without such consent after acceleration of the*
7 *indebtedness because of the borrower's failure to pay or*
8 *breach of other covenants in the mortgage and notice to the*
9 *borrower of the Government's intention to foreclose the secu-*
10 *rity.* Such loan shall be sold at the full amount of the
11 unpaid balance thereof, and upon such sale the Secretary is
12 authorized to assign the security instrument and evidence of
13 debt in such manner that the United States shall have no
14 further right or obligation with respect to the loan.”

85TH CONGRESS H. R. 10965
2d SESSION

[Report No. 2447]

A BILL

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

By Mr. HILL

FEbruary 25, 1958

Referred to the Committee on Agriculture

AUGUST 5, 1958

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued August 12, 1958
For actions of August 11, 1958
85th-2d, No. 137

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HIGHLIGHTS: Senate agreed to conference report to extend trade agreements authority. Senate passed bill to facilitate USDA insured loans. Several Senators urged enactment of legislation to prevent reduction in cotton allotments, and extend the Wool Act.

HOUSE

1. FORESTRY. The Interior and Insular Affairs Committee reported with amendment H. R. 13101, to extend the boundaries of the Siskiyou National Forest (H. Rept. 2543). The bill was ordered reported by the Committee earlier in the day. pp. 15568, D829
2. MINING CLAIMS. The Interior and Insular Affairs Committee reported with amendment S. 2039, to clarify the requirements with respect to the performance of labor imposed as a condition for the holding of mining claims on Federal lands pending the issuance of patents therefor (H. Rept. 2540). p. 15568
3. RECLAMATION. The Interior and Insular Affairs Committee ordered reported with amendment H. R. 9239, to provide for the construction of an irrigation distribution system for restricted Indian lands in Riverside County, Calif. p. D829
4. WATERSHEDS. Received a letter from the Agriculture Committee stating that it had approved the following work plans for watershed projects: Furnace Brook-Middle River, Conn. and Mass.; Brusseron, Ind.; and Crooked Creek, Iowa; to Appropriations Committee. pp. 15560, 15563

5. LEGISLATIVE PROGRAM. Rep. McCormack announced that the bills originally scheduled for consideration Mon., Aug. 11 (see Digest 136), would be considered Tues., Aug. 12, and the following day, if necessary. He also stated that H. R. 13254, the chemical food additive bill, would be considered under suspension of the rules Wed., Aug. 13. p. 15560

SENATE

6. TRADE AGREEMENTS. Agreed to, 72 to 18, the conference report on H. R. 12591, the Reciprocal Trade Agreements extension bill. This bill will now be sent to the President. pp. 15434-41, 15444-6

7. COTTON; WOOL. Sens. Talmadge, Symington, Yarborough, Ervin, Thurmond, Sparkman, and Stennis urged the passage of legislation to preserve cotton acreage allotments and price supports at current levels, and Sens. Langer and Humphrey urged extension of the Wool Act. pp. 15441-4, 15455-6

8. LOANS. Passed without amendment S. 3333, to facilitate the insurance of farm ownership and soil and water conservation loans, through authorizing the conversion of direct loans into insured loans and limited use of mortgage insurance funds in making loans if converted into insured loans without undue delay, authorizing the Department to receive a larger share of interest payments on insured loans than at present and to sell such loans as uninsured loans when the borrower has failed to refinance his obligations as agreed to, authorizing the Treasury to set the interest rate on mortgage insurance funds borrowed, and permitting National Banks to loan 25% instead of 10% of its capital to one individual in the case of these insured loans. pp. 15415-16

9. PEANUTS. Passed without amendment H. R. 12224, to prohibit the creation of an acreage history on peanuts after 1957 by those growing peanuts without an acreage allotment. This bill will now be sent to the President. p. 15411

10. ACREAGE ALLOTMENTS. Passed as reported S. 4151, to establish uniform provisions for the transfer of acreage allotments when the landowner is displaced by an agency having the right of eminent domain. The bill would combine the various provisions relating to each commodity in one uniform provision of the Agricultural Adjustment Act. pp. 15416-17
Passed without amendment H. R. 12840, to provide for a single acreage allotment for Va. sun-cured and Va. fire-cured tobaccos if farmers vote approval in a referendum. This bill will now be sent to the President. p. 15411

11. EXCISE TAXES. Continued debate on H. R. 7125, to make technical changes in the Federal excise tax laws. Agreed to the committee amendments and rejected various other amendments offered. pp. 15450-4, 15463-74, 15500-24, 15531-58.

12. DESERT-LAND ENTRIES. Received the President's message returning S. 359, to permit desert-land entries on disconnected tracts of land up to 320 acres, for correction and re-enrollment as requested by the Congress. p. 15459

13. RECLAMATION. At the request of Sen. Clark, passed over S. 3648, to authorize the Interior Department to construct and operate the Navaho Indian irrigation project and the initial stage of the San Juan-Chama project. p. 15417
At the request of Sens. Talmadge and Barrett, passed over S. 1837, to authorize the Interior Department to construct the San Luis Unit, Central Valley Project, Calif., and to enter into an agreement with the State to operate it. p. 15417

ect. This project is a dream child of Howard A. Cowden of the Consumers Cooperative Association of Kansas City and on April 1 of this year a planning conference for an Agriculture Hall of Fame was held in Kansas City, Mo. At that time Mr. Cowden stated "I hope that we today can realize the great opportunity in the project that brings us together. I hope that we can start planning in such a way that this country will some day have an appropriate shrine or memorial honoring those who have given America an agricultural industry that is the envy of the rest of the world."

Present at that meeting were the following:

W. I. Boone, Manhattan, Kans., American Farm Bureau Federation.

Ray Teagarden, LaCygne, Kans., the National Grange.

Kit Haynes, Washington, D. C., National Council of Farmer Cooperatives.

A. L. Hellebust, Topeka, Kans., Kansas Farmers Union.

Prof. C. A. Iverson, Iowa State College.

Dr. Oliver S. Willham, Oklahoma State University.

Dr. J. H. Longwell, University of Missouri.

Dr. W. V. Lambert, University of Nebraska, College of Agriculture.

Dr. George Montgomery, Kansas State College.

The Right Reverend Monsignor L. G. Di-gutti, Des Moines, Iowa, National Catholic Rural Life Conference.

The Reverend E. W. Mueller, Chicago, Ill., American Country Life Association.

Rod Turnbull, Kansas City, Mo., National Farm Editors Association.

Orville Walker, Kalkaska, Mich., National Association of County Agents.

James Wall, Waverly, Nebr., National Vocational Agriculture Teachers Association.

Ernest Woods, Chillicothe, Mo., National Rural Electric Cooperative Association.

Robert S. McClelland, Duncan, Okla., National Association of Soil Conservation Districts.

Mrs. Paul Hiatt, Bethany, Mo., American Countrywomen's Council.

Howard A. Cowden, Consumers Cooperative Association.

Glenn S. Fox, American Institute of Cooperation and Consumers Cooperative Association.

F. R. Olmsted, General Counsel.

Harold Hamil and Coe Pritchett, Consumers Cooperative Association.

At the first meeting of the board of governors, which was held on June 23 at the Hotel Muehlebach in Kansas City, it was voted to make the board of governors a truly national body, with representatives from every section of the country, and the members present voted to increase the board of directors to not to exceed 125 members. Among the board of directors at the present time are the heads of major national farm organizations, leading educators, Government officials, farm editors, representatives of religious organizations, and leaders in the industrial field.

Plans are being made for the financing of this project and the establishment of the Hall of Fame for Agriculture should be a reality within a few years.

I cannot urge too strongly the unanimous support of the Senate for this resolution.

BILL PASSED OVER

The bill (S. 2142) to amend section 8 (e) of the Agricultural Adjustment Act, to provide for the extension of the restrictions on imported citrus fruits, sliced figs, dried figs, and fig paste, was announced as next in order.

Mr. BARRETT. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

Mr. KUCHEL. Mr. President, I wonder whether it will be in order for me to ask the minority calendar committee whether it will consider having this measure placed at the foot of the calendar.

Mr. BARRETT. I have no objection to a unanimous-consent request that the bill go to the foot of the calendar. However, we are objecting by the request of two other Senators.

Mr. KUCHEL. Let me ask the junior Senator from Georgia [Mr. TALMADGE] whether objection has been interposed on his side.

Mr. TALMADGE. There is objection to Calendar No. 2241, Senate bill 2142. Mr. President, I ask that the bill go over.

Mr. KUCHEL. Mr. President, under the circumstances, I think it will be fruitless for me to ask, on behalf of the senior Senator from Florida [Mr. HOLLAND] and myself, that the bill go to the foot of the calendar.

The PRESIDING OFFICER. The Chair agrees with the Senator from California.

Objection has been heard, and the bill will go over.

to be the value of the farm, less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund for the purpose of insuring and selling the same under this section: *Provided*, however, That no loan made under this item (4) shall be in excess of 90 percent of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay. The Secretary may, at his discretion, utilize the provisions of subsections 13 (b) and 13 (c) of this title to borrow from the Secretary of the Treasury an additional sum not in excess of \$5,000,000 for deposit in the fund for this purpose and said subsections are hereby extended to cover such borrowings for the purpose of making loans under this item (4) and under item (4) of subsection 11 (a) of the act of August 28, 1937, as amended (relating to the conservation of water resources). The amount of the principal obligations on loans made under this item (4) and not disposed of under this section, plus the amount of the principal obligations on loans made out of moneys in the fund under said item (4) of subsection 11 (a) of the act of August 28, 1937, as amended, and not disposed of under such section 11, shall not exceed the aggregate sum of \$5 million at any one time.

"(b) The interest rate shall be as provided in section 3 (b) (2) of this title and the borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 12 (b) of this title, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section. Loans made or insured under this section shall be subject to all the provisions of this title except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this title may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this title without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

(b) The third sentence of section 13 (b) is amended to read:

"Such notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury, and shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consid-

eration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary."

(c) Section 15 (a) is amended to add the following sentence:

"Section 5200 of the Revised Statutes (12 U. S. C. 84) is hereby amended to add a new paragraph bearing the next number after that of the last paragraph of the present section 5200 of the Revised Statutes and reading as follows: 'Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 percent of such capital and surplus in addition to such 10 percent of such capital and surplus.'"

SEC. 2. The act entitled "An act to promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes", approved August 28, 1937, as amended (16 U. S. C. 590r-590x-3), is further amended by inserting at the end of said act the following new section:

"SEC. 11. (a) The Secretary of Agriculture is authorized:

"(1) To make loans complying with the requirements of this act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

"(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this act;

"(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: *Provided*, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 percent of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers' Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be sold if such balance exceeds 90 percent of the value of the security less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund, including funds borrowed from the Secretary of the Treasury under item (4) of subsection 18 (a) of the Bankhead-Jones Farm Tenant Act, as amended, within the aggregate limits therein provided, for the purpose of insuring and selling such loans under this section: *Provided, however*, That no loan made under this item (4) shall be in excess of 90 percent of the value of the security less any prior lien indebtedness, but such limitation shall not apply to loans to associations, including corporations not operated for profit and public or quasi-public

agencies: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay.

"(b) The borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges shall be deposited in the Treasury for use for administrative expense as provided in item (a) (3) of this section.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 10 (e) of this act, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section, but no such loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be in excess of 90 percent of the value of the security less any prior lien indebtedness. Loans made or insured under this section shall be subject to all the provisions of this act except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this act may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this act without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

CONVEYANCE OF CERTAIN LAND TO THE CITY OF CLIFTON, N. J.

The bill (H. R. 11800) to authorize the Secretary of Agriculture to convey a certain parcel of land to the city of Clifton, N. J., was considered, ordered to a third reading, read the third time, and passed.

Under permission granted, a memorandum submitted by Mr. MORSE was ordered to be printed in the RECORD, as follows:

MEMORANDUM BY SENATOR MORSE

H. R. 11800 authorizes a conveyance of certain Federal land to the city of Clifton, N. J., upon payment by the city of 75 percent of the fair appraised market value plus \$30,000, the latter amount to be available to the Secretary of Agriculture for making alterations and improvements at the United States Animal Quarantine Station.

The bill also provides that if the land should cease to be used for other than public purposes, it should revert to the United States. Under these circumstances the bill does not violate the Morse formula.

CONVEYANCE OF CERTAIN LANDS TO THE TOWN OF DAYTON, WYO.

The bill (H. R. 6542) to authorize the Secretary of Agriculture to convey certain lands in the State of Wyoming to the town of Dayton, Wyo., was considered, ordered to a third reading, read the third time, and passed.

Under permission granted, a memorandum submitted by Mr. MORSE was ordered to be printed in the RECORD, as follows:

MEMORANDUM BY SENATOR MORSE

This bill would authorize the Secretary of Agriculture to quitclaim to the city of Dayton, Wyo., without consideration, the interest of the United States in a tract of approximately $\frac{1}{3}$ acre of land.

Senate Report No. 2194 indicates that in 1941 the town of Dayton vacated this strip of land so that it might be donated to the United States for use as a ranger district headquarters site. The United States did not use the site for the purpose for which it was donated.

In view of the fact that the objective for which the land was originally donated by the city of Dayton was never carried out, it should be returned to the city by a reconveyance without consideration.

The case of the Roseburg Veterans' Administration surplus land, which was the subject of a bill that passed the Senate in 1956, is a precedent in point.

UNIFORM PROVISIONS FOR TRANSFER OF ACREAGE ALLOTMENTS

The Senate proceeded to consider the bill (S. 4151) to amend the Agricultural Adjustment Act of 1938, so as to establish uniform provisions for transfer of acreage allotments, which had been reported from the Committee on Agriculture and Forestry, with an amendment, on page 4, line 13, after "344 (h)", to strike out "353 (b)" and insert "353 (f)", so as to make the bill read:

Be it enacted, etc., That the Agricultural Adjustment Act of 1938, as amended, is amended by adding, after section 377, the following new section:

"SEC. 378. (a) Notwithstanding any other provision of this act, the allotment determined for any commodity for any land from which the owner is displaced because of acquisition of the land for any purpose by any Federal, State, or other agency having the right of eminent domain shall be placed in an allotment pool and shall be available only for use in providing allotments for other farms owned by the owner so displaced. Upon application to the county committee, within 3 years after the date of such displacement, or 3 years after the enactment of this section, whichever period is longer, any owner so displaced shall be entitled to have established for other farms owned by him allotments which are comparable with allotments determined for other farms in the same area which are similar except for the past acreage of the commodity, taking into consideration the land, labor, and equipment available for the production of the commodity, crop-rotation practices, and the soil and other physical factors affecting the production of the commodity: *Provided*, That the acreage used to establish or increase the allotments for such farms shall be transferred from the pool and shall not exceed the allotment most recently established for the farm acquired from the applicant and placed in the pool. During the period of eligibility for the making of allotments under this section for a displaced owner, acreage

Digest of CONGRESSIONAL PROCEEDINGS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued August 14, 1958
For actions of August 13, 1958
85th-2d, No. 139

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HIGHLIGHTS: House cleared for President: Humane slaughter bill; USDA insured loans bill. Rep. McCormack announced farm bill to be considered today (Aug. 14). Senate committee reported supplemental appropriation bill (to be considered today, Aug. 14). Several Senators urged passage of cotton, rice, and wool legislation. Senate passed education bill. Sen. Proxmire introduced and discussed bill to extend marketing orders to producers of fresh fruits and vegetables. Sen. Symington submitted and discussed measure to freeze cotton and rice acreage allotments.

HOUSE

1. **FARM PROGRAM.** Rep. McCormack announced that S. 4071, the farm bill, would be considered today, Aug. 14, under suspension of the rules. (p. 16013) Rep. Cooley inserted a copy of the bill to be considered, which he stated would be an amendment to the bill as passed by the Senate. (pp. 16026-29)
2. **FARM LOANS.** Passed under suspension of the rules S. 3333, to facilitate the insurance of farm ownership and soil and water conservation loans. This bill will now be sent to the President. (pp. 16029-30) See Digest 137 for provisions of the bill.
3. **HUMANE SLAUGHTER.** Concurred in the Senate amendments to H. R. 8308, to provide for the humane slaughter of livestock. This bill will now be sent to the President. (p. 16029) See Digest 128 for a summary of the Senate amendments.
4. **EXCISE TAXES.** Received the conference report on H. R. 7125, to make technical changes in the Federal excise tax laws (H. Rept. 2596). House conferees were appointed earlier in the day. Senate conferees have been appointed. pp. 15956, 16053-56

5. ROADS. Concurred in the Senate amendment to H. R. 12776, to revise, codify, and enact into law, title 23 of the U. S. Code entitled "Highways." This bill will now be sent to the President. pp. 15998-99
6. FOOD ADDITIVES. Passed under suspension of the rules H. R. 13254, to amend the Federal Food, Drug, and Cosmetic Act so as to prohibit the use in food of additives which have not been adequately tested to establish their safety. pp. 16013-26
7. LANDS. Concurred in the Senate amendment to H. R. 4635, to provide for the settlement and entry of public lands in Alaska containing coal, oil, or gas under Sec. 10 of the act of May 14, 1898. This bill will now be sent to the President. p. 16034
8. HOUSING. Rep. Mack urged passage of S. 4035, the omnibus housing bill, before Congress adjourns. p. 16036
9. TRANSPORTATION. Rep. Tollefson referred to certain foreign criticism of the cargo preference legislation, which requires that at least 50 percent of U. S. shipments under the foreign aid program be shipped in American vessels, and stated that "I am convinced that Congress will not relax its views with respect to" this shipping requirement. p. 16036
10. SCHOOL LUNCHES. The District of Columbia Committee reported with amendment S. 1764, to authorize payment of the cost of free lunches for needy children in the D. C. public schools (H. Rept. 2588). p. 16056
11. MINERALS; WATER RESOURCES. Agreed to the Senate amendment to H. R. 11123, to authorize Interior to perform surveys, investigations, and research in geology, biology, minerals and water resources. This bill will now be sent to the President. p. 16034
12. RESEARCH. The Interstate and Foreign Commerce Committee ordered reported S. 4039, to authorize the Head of any Government agency now making contracts for research to grant funds for the support of such research. p. D844
13. INFORMATION. Received a report from the Government Operations Committee "pertaining to information from Federal departments and agencies" (H. Rept. 2578). p. 16056
14. RECLAMATION. Received from Interior a report on Red Willow Dam and Reservoir and associated works, and Frenchman-Cambridge division, Missouri River Basin project, Nebr. p. 16056

SENATE

15. FARM PROGRAM. Sen. McClellan urged the passage of legislation this session to prevent reductions in cotton and rice acreage. Sen. Stennis concurred in his opposition to adjourning until the farm legislation is passed. Sen. Johnson stated: "Too many people in this field have been too adamant," and urged that a compromise farm bill be worked out. Sens. Johnston, Jordan, and Hill agreed that farm legislation is necessary. pp. 15844-5
Sens. Mansfield, Barrett, Allott, and Thye urged the passage of the Wool Act extension bill, and stated that the woolgrowers would be endangered if the law were not extended this session. pp. 15856-8

was displaced prior to 1955. In any case where the cropland acquired for nonfarming purposes from an owner by an agency having the right of eminent domain represents less than 15 percent of the total cropland on the farm, the allotment attributable to that portion of the farm so acquired shall be transferred to that portion of the farm not so acquired."

"(d) Section 313 (h), 334 (d), 334 (h), 353 (f), and 358 (h) of the Agricultural Adjustment Act of 1938, as amended, are repealed, but any transfer or reassignment of allotment heretofore made under the provisions of these sections shall remain in effect, and any displaced farm owner for whom an allotment has been established under such repealed sections shall not be eligible for additional allotment under subsection (a) of this section because of such displacement."

SEC. 502. Section 405 of the Agricultural Act of 1949 is amended by adding at the end thereof the following: "There is authorized to be included in the terms and conditions of any such nonrecourse loan a provision whereby on and after the maturity of the loan or any extension thereof Commodity Credit Corporation shall have the right to acquire title to the unredeemed collateral without obligation to pay for any market value which such collateral may have in excess of the loan indebtedness."

SEC. 503. Section 201 (b) of the Agricultural Act of 1949, as amended, is amended by changing the semicolon at the end thereof to a colon and adding the following: "Provided, That in any crop year in which the Secretary determines that the domestic production of tung oil will be less than the anticipated domestic demand for such oil, the price of tung nuts shall be supported at not less than 65 percent of the parity price therefor."

Extend veterans and armed services milk program

SEC. 504. (a) The first sentence of section 202 (a) of the Agricultural Act of 1949, as amended (7 U. S. C. 1446a), is amended by striking out "1958" and inserting in lieu thereof "1961."

(b) Subsection (b) of section 202 of the Agricultural Act of 1949 (7 U. S. C. 1446a) is amended by striking out "1958" and inserting in lieu thereof "1961", by striking out "of the Army, Navy, or Air Force, and as a part of the ration" and inserting in lieu thereof "(1) of the Army, Navy, Air Force, or Coast Guard, (2)", and by inserting before the period at the end of the first sentence of such subsection the following: "and (3) of cadets and midshipmen at, and other personnel assigned to, the United States Merchant Marine Academy."

SEC. 505. Commodity Credit Corporation is authorized, on such terms as the Secretary of Agriculture may approve, to donate cotton acquired through its price support operations to educational institutions for use in the training of students in the processing and manufacture of cotton into textiles.

ESTABLISHING USE OF HUMANE METHODS OF SLAUGHTER OF LIVESTOCK AS POLICY OF THE UNITED STATES

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 8308) an act to establish the use of humane methods of slaughter of livestock as a policy of the United States, and for other purposes, with amendments of the Senate thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 24, strike out "December 31, 1959" and insert "June 30, 1960."

Page 3, line 17, strike out "December 31, 1959" and insert "June 30, 1960."

Page 4, line 8, strike out "June 30, 1958" and insert "March 1, 1959."

Page 4, line 16, strike out "July 1, 1959" and insert "March 1, 1959."

Page 4, line 23, after "herein," insert "Handling in connection with such slaughtering which necessarily accompanies the method of slaughter described in subsection (b) of this section shall be deemed to comply with the public policy specified by this section."

Page 6, strike out lines 13 to 17, inclusive, and insert: "SEC. 6. Nothing in this act shall be construed to prohibit, abridge, or in any way hinder the religious freedom of any person or group. Notwithstanding any other provision of this act, in order to protect freedom of religion, ritual slaughter and the handling or other preparation of livestock for ritual slaughter are exempted from the terms of this act. For the purposes of this section the term 'ritual slaughter' means slaughter in accordance with section 2 (b)."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

FACILITATING INSURANCE OF LOANS UNDER TITLE I OF BANKHEAD-JONES FARM TENANT ACT AND ACT OF AUGUST 28, 1937

Mr. POAGE. Mr. Speaker, I move to suspend the rules and pass the bill (S. 3333) to facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the act of August 28, 1937, as amended, relating to the conservation of water resources, and for other purposes.

The Clerk read the bill, as follows:

Be it enacted, etc., That title I of the Bankhead-Jones Farm Tenant Act, as amended (7 U. S. C. 1000 and the following), is further amended as follows:

(a) The following new section 18 is added:

"SEC. 18. (a) The Secretary of Agriculture is authorized:

"(1) To make loans complying with the requirements of title I of this act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

"(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this title;

"(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: *Provided*, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges

so collected an amount not in excess of one-half of 1 percent of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan shall be sold if such balance exceeds 90 percent of the amount certified by the county committee to be the value of the farm, less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund for the purpose of insuring and selling the same under this section: *Provided*, however, That no loan made under this item (4) shall be in excess of 90 percent of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay. That Secretary may, at his discretion, utilize the provisions of subsections 13 (b) and 13 (c) of this title to borrow from the Secretary of the Treasury an additional sum not in excess of \$5 million for deposit in the fund for this purpose and said subsections are hereby extended to cover such borrowings for the purpose of making loans under this item (4) and under item (4) of subsection 11 (a) of the act of August 28, 1937, as amended (relating to the conservation of water resources). The amount of the principal obligations on loans made under this item (4) and not disposed of under this section, plus the amount of the principal obligations on loans made out of moneys in the fund under said item (4) of subsection 11 (a) of the act of August 28, 1937, as amended, and not disposed of under such section 11, shall not exceed the aggregate sum of \$5 million at any one time.

"(b) The interest rate shall be as provided in section 3 (b) (2) of this title and the borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 12 (b) of this title, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section. Loans made or insured under this section shall be subject to all the provisions of this title except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this title may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this title without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the

request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

(b) The third sentence of section 13 (b) is amended to read:

"Such notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury, and shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary."

(c) Section 15 (a) is amended to add the following sentence:

"Section 5200 of the Revised Statutes (12 U. S. C. 84) is hereby amended to add a new paragraph bearing the next number after that of the last paragraph of the present section 5200 of the Revised Statutes and reading as follows: 'Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 percent of such capital and surplus in addition to such 10 percent of such capital and surplus.'

SEC. 2. The act entitled "An act to promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes," approved August 28, 1937, as amended (16 U. S. C. 590r-590x-3), is further amended by inserting at the end of said act the following new section:

"SEC. 11. (a) The Secretary of Agriculture is authorized:

"(1) To make loans complying with the requirements of this act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

"(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this act;

"(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 percent of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: *Provided*, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 percent of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers' Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be sold if such balance exceeds 90 percent of the value of the security less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund, including funds borrowed from the

Secretary of the Treasury under item (4) of subsection 18 (a) of the Bankhead-Jones Farm Tenant Act, as amended, within the aggregate limits therein provided, for the purpose of insuring and selling such loans under this section: *Provided, however*, That no loan made under this item (4) shall be in excess of 90 percent of the value of the security less any prior lien indebtedness, but such limitation shall not apply to loans to associations, including corporations not operated for profit and public or quasi-public agencies: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay.

"(b) The borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges shall be deposited in the Treasury for use for administrative expense as provided in item (a) (3) of this section.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 10 (e) of this act, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section, but no such loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be in excess of 90 percent of the value of the security less any prior lien indebtedness. Loans made or insured under this section shall be subject to all the provisions of this act except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this act may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this act without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

The SPEAKER. Is a second demanded? [After a pause.] If not, the Chair will put the question.

The question is: Will the House suspend the rules and pass the bill?

The question was taken; and (two-thirds having voted in favor thereof), the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

IRRIGATION SYSTEM FOR CERTAIN LANDS

Mr. ASPINALL. Mr. Speaker, I move to suspend the rules and pass the bill (H. R. 9239) to provide for the construction

of an irrigation distribution system and drainage works for restricted Indian lands within the Coachella Valley County Water District in Riverside County, Calif., and for other purposes, as amended.

The Clerk read as follows:

Be it enacted, etc., That section 1 of the act of August 25, 1950 (64 Stat. 470), is amended to read as follows:

"(a) The Secretary of the Interior is hereby authorized and directed to—

"(1) designate the trust or restricted Indian lands on the Cabazon, Augustine, and Torres-Martinez Indian Reservations which may be irrigated from distribution facilities administered by the Coachella Valley County Water District in Riverside County, Calif.;

"(2) construct an irrigation distribution system and drainage works within improvement district No. 1 of the Coachella Valley County Water District that connect with the distribution system and drainage works now administered by Coachella Valley County Water District and that will irrigate and drain the Indian lands designated therein pursuant to this section: *Provided*, That such irrigation and distribution system and drainage works shall be constructed on the Torres-Martinez Indian Reservation only upon the request of the Indian owners of the lands to be irrigated thereby and a determination by the Secretary of the Interior that the construction of the irrigation distribution system and drainage works is economically feasible;

"(3) contract with the Coachella Valley County Water District, prior to the construction of the irrigation distribution system and drainage works authorized by this section, for engineering and supervision services in connection with such construction, and for the care, operation, and maintenance thereof after construction. Such contract shall provide, among other things, that—

"(f) the irrigation distribution system and drainage works authorized to be constructed by this section, or any major part thereof, when completed and ready for use as determined by the Secretary, shall be turned over to the district for care, operation, and maintenance and the district shall assume the care, operation, and maintenance thereof upon 60 days written request therefor made by the Secretary;

"(ii) water shall be delivered to the lands within improvement district No. 1 designated pursuant to this section, through the irrigation distribution system authorized to be constructed, under the same rules and regulations, to the same extent, and for the same charges as water is delivered by the district to other lands similarly located within the district. As long as said Indian lands for which an irrigation distribution system is constructed pursuant to this section remain in a trust or restricted status the Secretary shall guarantee payment to the district for all such charges for the delivery of water, including standby charges, as well as payment of an amount of money during each year equal to the amount which would be levied by or on behalf of the district in the form of taxes on said lands if said lands were on the assessment rolls of Riverside County;

"(iii) one-half of all moneys received by the district for the delivery of water to the designated lands (not including gate and other service charges) shall be paid annually by the district to the United States until the United States has been reimbursed in full for the actual costs incurred in the construction of the distribution system and drainage works authorized by this section;

"(iv) article 21 (access books and records), article 23 (disputes or disagreements), article 35 (remedies under contract not exclusive), article 36 (interest in contract not transferable), article 39 (officials not to benefit), and article 41 (representative of the

Public Law 85-748
85th Congress, S. 3333
August 25, 1958

AN ACT

72 Stat. 840.

To facilitate the insurance of loans under title I of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937, as amended (relating to the conservation of water resources), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, title I of the Bankhead-Jones Farm Tenant Act, as amended (7 U. S. C. 1000 and the following), is further amended as follows:

Bankhead-Jones
Farm Tenant
Act, amendment.
Farm loans,
insurance.
50 Stat. 522.

(a) The following new section 18 is added:

"SEC. 18. (a) The Secretary of Agriculture is authorized:

"(1) To make loans complying with the requirements of title I of this Act for the purpose of insuring and selling such loans to lenders other than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

"(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this title;

"(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 per centum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: *Provided*, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 per centum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan shall be sold if such balance exceeds 90 per centum of the amount certified by the county committee to be the value of the farm, less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund for the purpose of insuring and selling the same under this section: *Provided, however*, That no loan made under this item (4) shall be in excess of 90 per centum of the amount certified by the county committee to be the value of the farm less any prior lien indebtedness: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay. The Secretary may, at his discretion, utilize the provisions of subsections 13 (b) and 13 (c) of this title to borrow from the Secretary of the Treasury an additional sum not in excess of \$5,000,000 for deposit in the fund for this purpose and said subsections are hereby extended to cover such borrowings for the purpose of making loans under this item (4) and under item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended (relating to the conservation of water resources). The amount of the principal obligations on loans made under this item (4) and not disposed of under this section, plus the amount of the principal obligations on loans made out of moneys in the fund under said item (4) of subsection 11 (a) of the Act of August 28, 1937, as amended, and not disposed

Post, p. 342.

of under such section 11, shall not exceed the aggregate sum of \$5,000,000 at any one time.

"(b) The interest rate shall be as provided in section 3 (b) (2) of this title and the borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 12 (b) of this title, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section. Loans made or insured under this section shall be subject to all the provisions of this title except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this title may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this title without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

(b) The third sentence of section 13 (b) is amended to read:

"Such notes shall have such maturities as the Secretary may determine with the approval of the Secretary of the Treasury, and shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the loans made or insured by the Secretary."

(c) Section 15 (a) is amended to add the following sentence:

"Section 5200 of the Revised Statutes (12 U. S. C. 84) is hereby amended to add a new paragraph bearing the next number after that of the last paragraph of the present section 5200 of the Revised Statutes and reading as follows: 'Obligations insured by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, as amended, or the Act of August 28, 1937, as amended (relating to the conservation of water resources), shall be subject under this section to a limitation of 15 per centum of such capital and surplus in addition to such 10 per centum of such capital and surplus.'"

SEC. 2. The Act entitled "An Act to promote conservation in the arid and semiarid areas of the United States by aiding in the development of facilities for water storage and utilization, and for other purposes", approved August 28, 1937, as amended (16 U. S. C. 590r-590x-3), is further amended by inserting at the end of said Act the following new section:

"SEC. 11. (a) The Secretary of Agriculture is authorized:

"(1) To make loans complying with the requirements of this Act for the purpose of insuring and selling such loans to lenders other

60 Stat. 1072.
7 USC 1005c.

60 Stat. 1079.

7 USC 1000 et seq.
16 USC 590r-590x-3.

50 Stat. 869;
68 Stat. 734.

than the United States. Any security instrument taken in connection with such loan shall create a lien running to the United States, notwithstanding the fact that the note may be held by such lender or his assignee;

"(2) To insure and make commitments to insure such loans, which, when endorsed for insurance, shall be covered by the insurance provisions of this Act;

"(3) To sell such loans at an annual charge, at a rate to be determined by the Secretary, of not less than 1 per centum of the unpaid principal obligation from time to time outstanding on the loan, such charge to be retained by the Secretary out of interest payments made by the borrower: *Provided*, That the total of the rate of such charge plus the rate of return to the holder of the note shall not exceed the interest rate specified in the note. Out of the charges so collected an amount not in excess of one-half of 1 per centum of such unpaid principal obligations shall be deposited in and become a part of the fund. The remainder of such charges collected shall be deposited in the Treasury to the credit of the Secretary and may be transferred annually to the administrative expense account of the Farmers Home Administration and become merged therewith. Each such loan shall be sold at the full amount of the unpaid balance thereof at the time of sale, but no loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be sold if such balance exceeds 90 per centum of the value of the security less any prior lien indebtedness at the time the loan was made or upon a determination of such fact by the Secretary at the time of sale;

"(4) To make loans out of moneys in the fund, including funds borrowed from the Secretary of the Treasury under item (4) of subsection 18 (a) of the Bankhead-Jones Farm Tenant Act, as amended, within the aggregate limits therein provided, for the purpose of insuring and selling such loans under this section: *Provided, however*, That no loan made under this item (4) shall be in excess of 90 per centum of the value of the security less any prior lien indebtedness, but such limitation shall not apply to loans to associations, including corporations not operated for profit and public or quasi-public agencies: *And provided further*, That no loan shall be made under this item (4) unless the Secretary has reasonable assurance that it can be sold without undue delay.

Ante, p. 840.

"(b) The borrower shall not be required to pay any additional charges for insurance of the loan, but the Secretary may require the payment of such appraisal and delinquency charges as he deems proper. The proceeds of such appraisal or delinquency charges shall be deposited in the Treasury for use for administrative expense as provided in item (a) (3) of this section.

"(c) The amount of the principal obligations on loans made under item (a) (4) of this section shall be included in computing the aggregate amount of the principal obligations which may be insured in any one fiscal year, as provided in section 10 (e) of this Act, at the time such loans are made. The amount of the principal obligations on any other loans made by the Secretary and insured under this section shall not be included in computing said aggregate amount.

"(d) Loans made from funds advanced by lenders other than the United States may be insured by the Secretary upon terms and conditions consistent with the provisions of this section, but no such loan, except loans to associations (including corporations not operated for profit and public or quasi-public agencies), shall be in excess of 90 per centum of the value of the security less any prior lien indebtedness. Loans made or insured under this section shall be subject to all the provisions of this Act except as otherwise provided in this section.

"(e) Any loan heretofore or hereafter made or insured under this Act may be converted to an insured loan under this section at the discretion of the Secretary, and any expenses in connection with such conversion may be paid out of funds available for administrative expenses.

"(f) The Secretary is further authorized to sell any loan heretofore or hereafter made or insured under this Act without insurance thereof upon the written consent of the borrower, or without such consent when the borrower has failed to comply with his agreement to refinance the indebtedness at the request of the Secretary. Such loan shall be sold at the full amount of the unpaid balance thereof, and upon such sale the Secretary is authorized to assign the security instrument and evidence of debt in such manner that the United States shall have no further right or obligation with respect to the loan."

Approved August 25, 1958.